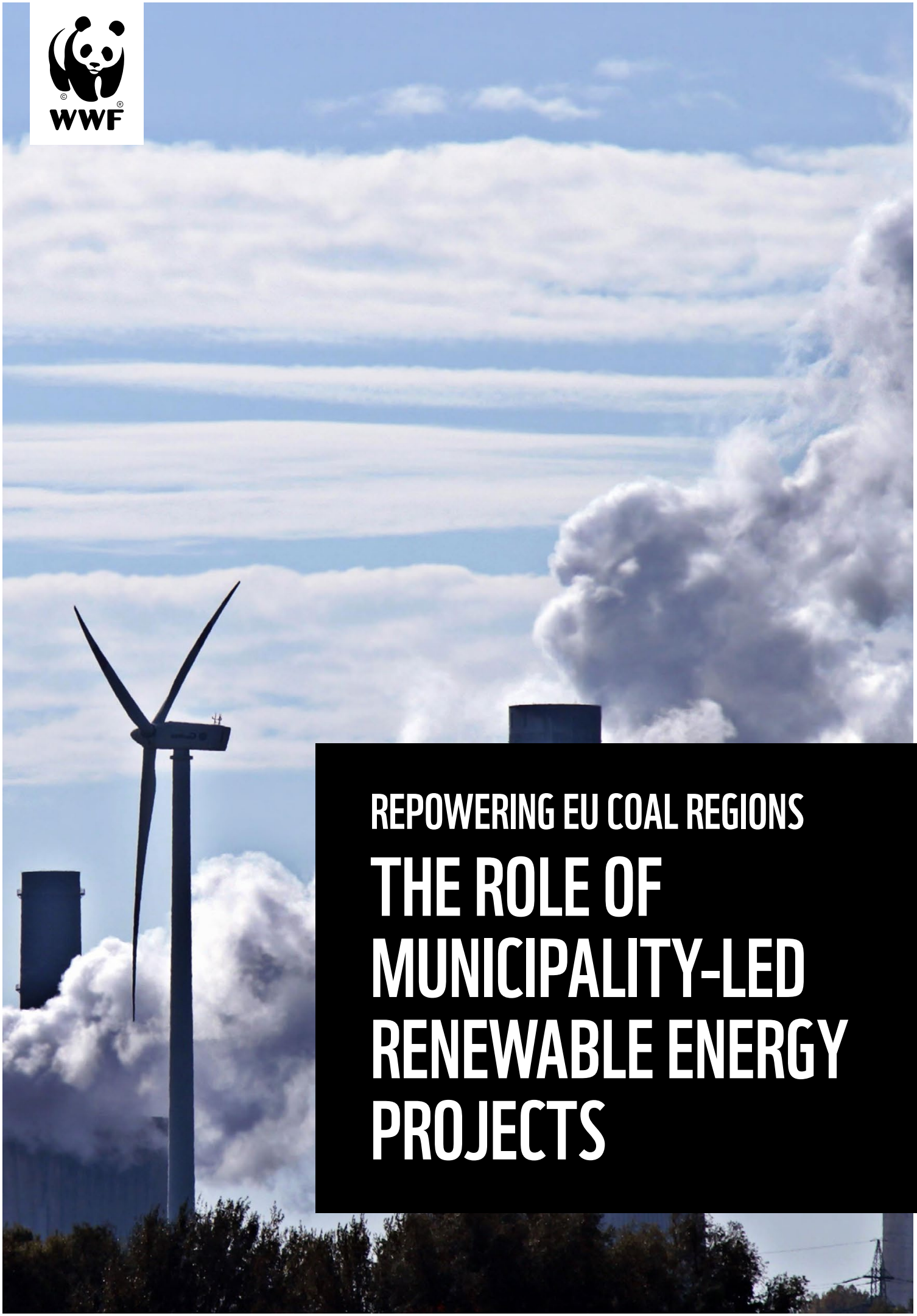

REPOWERING EU COAL REGIONS

THE ROLE OF MUNICIPALITY-LED RENEWABLE ENERGY PROJECTS

INTRODUCTION

Europe is facing a severe energy crisis. The European Commission's aim of quickly moving away from Russian fossil fuels[1] adds greater urgency to efforts to save energy and use alternative, secure and ideally sovereign energy sources. To align with and support the EU's efforts in the fight against the climate crisis, together with energy efficiency and storage investments, 'repowering' the EU should be achieved predominantly through renewable energy, stemming mostly from wind and solar. A particular focus needs to be given to the heating sector, which accounts for about 35% of fossil gas use in the EU.[2]

Coal regions are on the frontline of the energy transition.They are facing massive change as economics and climate policy mean that using coal for power must end in Europe by 2030.[3] Although the current crisis has, in some regions, seen demand for coal increase, this rise can only ever be short-lived. Increased emissions from coal burning drives up the carbon price under the European Emission Trading System (ETS) and curtails the profitability of coal compared to much cheaper renewable energy. Coal regions that embrace a transition to renewable energy now, combined with further investments in skills and technologies for energy savings and storage, will avoid a cliff-edge transition in favour of a more coordinated, safer and more prosperous road forward.

A just transition from coal to renewable energy requires a well-managed approach. The transition from coal entails much more than a shift from one technology or industry to another: the social and cultural heart of communities must be maintained - and sometimes rebuilt. While replacing job losses caused by the phaseout of polluting industries is important, it is only part of the picture. The newly created jobs should be decent, as well as plentiful, and many should be accessible to those who were formerly employed in jobs linked to the fossil fuel industry or fossil-based production. In this paper, we aim to present useful information for mayors and municipalities on the potential of municipality-led renewable energy projects - including energy communities - to play a central role in the just transition of Europe's coal regions.

While each municipality-led renewable energy project will be specific, the paper provides an initial exploration of examples, the opportunities and potential benefits of municipal-led renewable energy projects to facilitate just transitions in European coal regions. Highlighting acknowledged barriers, we also form recommendations on the potential of renewable energy for just transitions in Europe's coal regions.

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1 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions REPowerEU Plan - COM/2022/230 final

2 https://climact.com/en/opportunities-to-get-eu-industry-off-natural-gas-quickly/#:~:text=Natural%20gas%20is%20mainly%20used,needs%20(petrochemicals%20and%20fertilizers).

3 The IEA estimates coal must be phased-out of the power mix in Europe by 2030 for a pathway towards net zero by 2050. See https://www.iea.org/reports/net-zero-by-2050

THE TRANSITION TOWARDS CLIMATE NEUTRALITY BENEFITS SOCIETY

The transition away from fossil fuels such as coal, oil, and gas in line with limiting global temperature rise to 1.5°C will bring multiple benefits to society as a whole. Not only will the transition improve air quality, avoiding thousands of premature deaths and other negative health impacts each year, it will also avert the worst effects of climate change, which has the greatest impact on the most vulnerable. Moreover, it will generate new jobs, with most estimates suggesting there will be more jobs under a sustainable, climate neutral economy.[4]

But not every group or region will automatically reap the full benefits of this shift. Coal regions and their communities face distinct but complex hurdles to a positive transition, as the economic activities of these regions are often linked - and the prosperity deeply interwoven with - coal mining or coal-based industries. As such many local and national governments are seeking to actively manage the transition to ensure that these regions and their people are not 'left behind'. This is known as the **just transition**.

Jobs gains and losses by sector

By 2030	Net change	Direct	Indirect & induced	Job losses	Job gains
Power	+2.4	+0.8	+1.6	-0.3	2.7
Transportation	-0.6	-0.1	-0.5	-0.6	
Indusrty	-1.1	-0.4	-0.7	-1.1	
Buildings	+1.3	+0.5	+0.8		1.3
Agriculture	+0.1	+0.1	+0.0		0.1

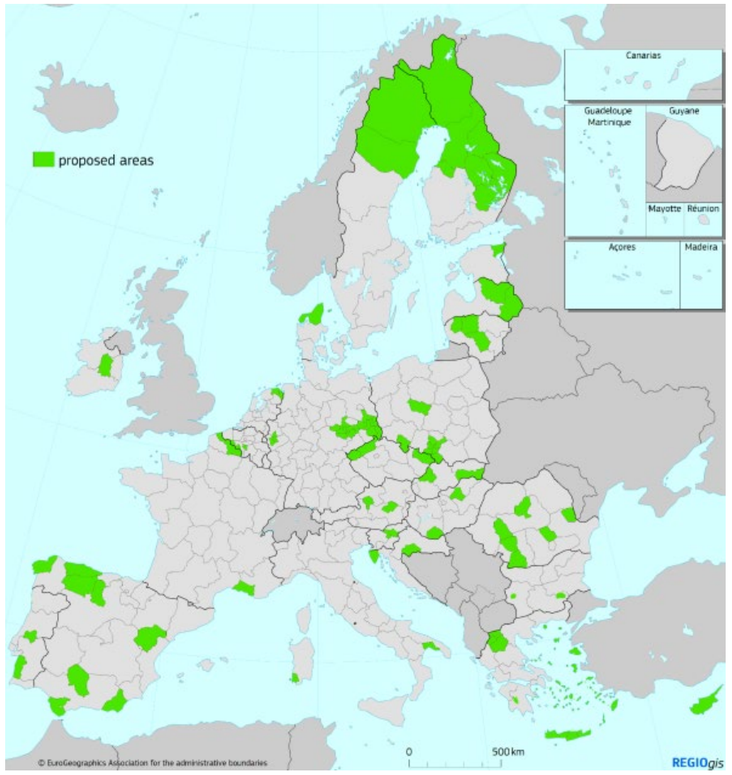
McKinsey, 2020: A pathway towards net zero can create 2.2 million net jobs in the EU by 2030

4 The International Labour Organisation (ILO) estimates that the 'green' transition will generate a net two million new jobs in Europe whilst the European Commission recognises it will be positive overall for the European and global economy. See also the graph above.

WHAT SPECIFIC CHALLENGES DO COAL REGIONS FACE TO SECURE A JUST TRANSITION?

The reasons why coal regions (see map underneath[5]) face such challenges to secure a just transition to climate neutrality are broad, but there are many similarities between regions.[6] Coal is often a cornerstone of the local economy, even if the coal industry's relative impact on national GDP is small. It is likewise a huge employer, both directly and through associated industries - in Stara Zagora, Bulgaria, over 36000 jobs are estimated as linked to coal in the region which has a total population of around 330000[7].

Another commonality is that when coal disappears, the **entire social fabric of a region can disintegrate**. The mine and coal power companies have often formed a social compact with the local population. While the local population bears the brunt of the health costs associated with coal extraction and use, the company has often supported the community by providing local services and meeting places. When coal goes, so will these services, especially if the municipality cannot afford to continue them after they lose the revenue from coal activities.



In several regions, miners also received subsidised coal. The availability of cheap heat - and sometimes electricity - can mean that once coal goes, **energy poverty** rises; a risk made worse by the prevalence of poorly insulated homes in coal regions.

At the same time, many regions also face significant **land contamination** and other legacy issues. This not only prevents a return to previous uses (such as agriculture), it also reduces the attractiveness of the region for new investments.

Compounding these physical and social challenges are **demographic obstacles**, including **skills deficits** in the local workforce for new and emerging industries. A lack of perceived and real opportunities can further contribute to a 'brain drain' whereby young people leave to seek opportunities in more dynamic regions, leading to population ageing and increasing pressure on local services, perpetuating regional decline.

Finally, coal communities are (often) proud of their contribution to regional and national development. They celebrate mining traditions and are often proud of their energy heritage. Coal's decline can generate a deep **sense of cultural loss**. Meanwhile, previous experience or hearsay about unjust transitions elsewhere can also drive resistance in the local population, to the transition.

5 The map shows regions proposed by the European Commission as to be eligible for funding from the Just Transition Fund, including EU coal regions. For original map, see https://ec.europa.eu/info/sites/default/files/annex_d_crs_2020_en.pdf

6 Just Transition to Climate Neutrality Report 2020: This brought together a review of four case study regions of the transition from coal in Europe. It analysed the focus regions and their needs to ensure a just transition, illustrating that even though each region is different, the challenges they face to ensure a just transition from coal are strikingly similar.

7 "EU Coal Regions: boosting employment, economy, environment through just transition" WWF, April 2021. Available at: https://wwfeu.awsassets.panda.org/downloads/eu_coal_regions___boosting_employment__economy__environment_through__just_transition_.pdf

OPPORTUNITIES FOR A JUST TRANSITION IN COAL REGIONS

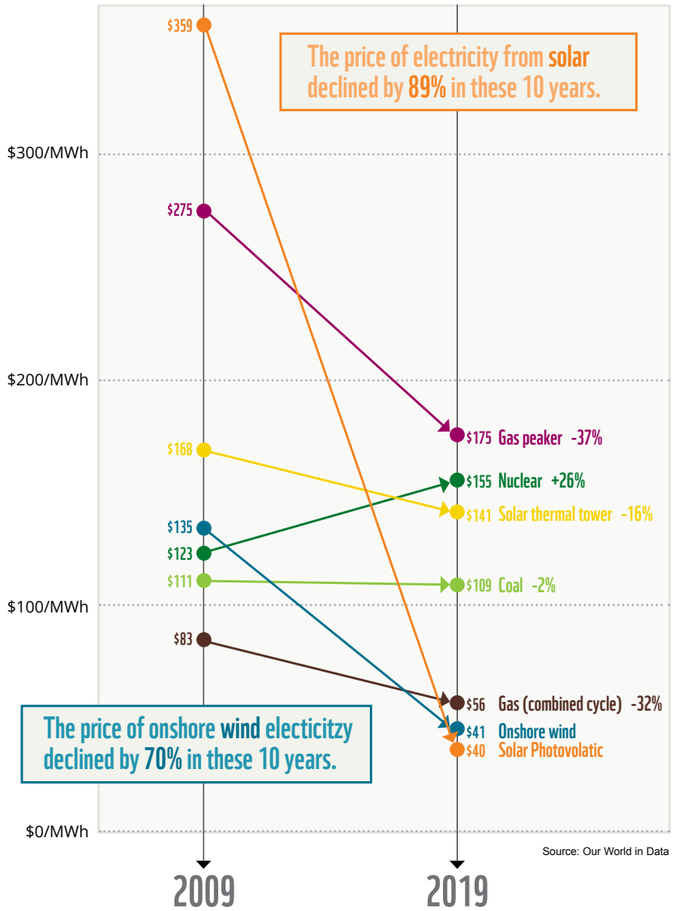
- There is specific EU support, and in some cases, national support, for 'just transition' that can be used for municipal renewable energy projects
- Coal regions often have high renewable energy potential
  - Renewable energy can create a significant number of jobs and provide an anchor for new economic ecosystems
  - Renewable energy can be appropriate for making use of contaminated land
  - Renewable energy can offer solutions to energy poverty, including at the local level
- Even where renewable energy potential is lower, municipality-led energy transitions, which put the needs of local citizens as a first priority, can provide benefits from a just transition perspective, including:
  - Alleviating local energy poverty
  - Creating ownership of the transition and strengthening the social fabric

Recognising these specific challenges - and particularly the need to overcome investment barriers - national governments and the EU have developed specific support mechanisms. For example, the EU has set up a €17.5 billion Just Transition Fund (JTF), which provides targeted support to address the social impacts of the shift from coal and other fossil fuels. The Fund - and its sister schemes under the Just Transition Mechanism, in combination with the right national and private funds - are a huge opportunity to shift to a durable, climate-neutral economy.

However, funds and investments need to be targeted at the right things - and need the engagement of local communities to be successful in identifying these and delivering a just transition. While the JTF mandates the involvement of stakeholders in line with the Partnership Principle,[8] many stakeholders, including local citizens, lack the time or knowledge to do so effectively.

The price of electricity from new power plants

Electricity prices are expressed in 'levelized cost of energy' (LCOE). LCOE captures the cost of building the power plant itself as well as the ongoing costs for fuel and operating the power plant over its lifetime



8 Partnership Principle and the European Code of Conduct on Partnership (Commission Delegated Regulation 240/2014)

Studies indicate that many coal regions have tremendous renewable energy potential. A 2020 Joint Research Centre (JRC) report found that, in more than half of the 42 coal regions in the EU, clean energy investment can create more jobs than currently exist in the coal sector - up to 460 000 jobs in total by 2050.[9] This report finds that coal regions have potential for up to 821GW wind capacity and further reports have found significant solar potential.[10]

Renewables like wind and solar can offer particular advantages in that they can make use of contaminated land (e.g. impacted by coal surface mining) that might no longer be usable for agriculture or habitation. Where it is possible to make use of the land for other purposes, they can also be integrated into multiple land use systems, such as installations of wind energy on agricultural land which remains largely usable for farming or the use of floating solar PV modules on artificial lakes.

At the same time, renewable energy investments create jobs, preserve the energy heritage of regions, and can make use of existing grid infrastructure. As in the past, the availability of affordable energy is also a key consideration of industrial investors, and due to their drastic reduction in costs (see chart on the left), the availability of wind and solar power is a clear locational advantage. As proven by several recent investment decisions, such as the Tesla 'giga factory' in Brandenburg, Germany[11] and the production of microchips, as well as new research facilities by Intel in several EU member states[12], the potential for wind and solar power generation has influenced concrete investment decisions worth billions of Euros, with such productions being a possible anchor for whole new economic ecosystems.

Likewise, the availability of local renewable energy generation for local energy users in the community can be a boon for households and businesses who would otherwise be at risk of energy poverty.

Nevertheless, it is clear that not all regions can benefit from utility scale investments. Some regions considered by the JRC report were found to have only 'restricted decarbonising employment potential', meaning they would need to focus economic diversification on other industries like sustainable agriculture, tourism or IT rather than emerging 'clean energy' sectors. But this does not mean that investments in renewable energy can bring no benefits to these regions. On the contrary, those regions can particularly benefit from a municipality-led energy transition, which puts the needs of local citizens as a first priority when implementing the energy transition.

More detail is provided in the section below, but benefits from municipal-led renewable energy projects, even at small scale, can range from addressing energy poverty to building-up skills and strengthening the social fabric, among others.

9 Clean energy technologies in coal regions JRC 2020 report. https://publications.jrc.ec.europa.eu/repository/handle/JRC117938
10 2019 JRC "Solar Photovoltaic Electricity Generation: a Alifeline for European Coal Regions in Transition"
11 https://www.cleanenergywire.org/factsheets/teslas-berlin-gigafactory-will-accelerate-shift-electric-cars
12 https://www.intel.com/content/www/us/en/newsroom/news/eu-news-2022-release.html

HOW MUNICIPALITY-LED RENEWABLE ENERGY CAN UNLOCK LOCAL BENEFITS

- Revenue generated from municipal-owned renewable energy can be recycled to support municipal services, or used to help reduce local energy poverty
- National governments should be encouraged to integrate non-price criteria, such as community and local government ownership into subsidy/support schemes for renewable energy
- Municipality-led renewable energy planning and projects can therefore unlock the full advantages of the phase-out of coal for local communities, for instance by:
  - Emphasising the need for local benefits such as air quality
  - Involving local citizens in the decision-making processes, creating ownership of the transition and strengthening the social fabric
- By contrast, to avoid unintended negative impacts, municipalities should not invest in new hydropower, on environmental grounds, and should exercise extreme caution with regards to biomass projects, as these could increase emissions compared to fossil fuels and have serious air quality impacts.

Little attention has so far been given to the potential for municipality-led renewable energy to support just transitions. Indeed, they are often overlooked as the focus is most often on the immediate need to replace the jobs lost as coal is phased out, rather than on the wider elements that are also needed for a comprehensive just transition and the long-term development of a sustainable and diversified economy. However, by putting choices on the future of energy in coal regions in local hands, municipality-led energy, including in the form of energy communities[13], can ensure that local benefits are at the heart of the transition, some examples of which are discussed below.

As **air quality** improves by phasing-out coal combustion, municipality-led renewable energy planning can safeguard against fuel-switching of power plants or heating systems that might undermine this benefit. In this context they should pay particular attention to the side-effects of burning wood or other solid biomass, which has serious health impacts due to particles released to the atmosphere[14] and can increase greenhouse gas emissions for decades or even centuries compared to fossil fuels[15]. Therefore, converting coal power or co-generation plants to burning wood should not be supported; instead investments in wind and solar or, for heating, community-scale heat pumps or geothermal energy[16], combined with existing or new heating networks and storage, being much better solutions. By 'owning' those kinds of decisions and giving priority to local impacts over pure economic calculations, municipalities can ensure that citizens are in fact benefiting from the energy transition, including through cleaner air. National governments can support those efforts by including non-price criteria into subsidy/support schemes for renewable energy which incentivise municipality involvement over sole economic calculus.

Regarding **distributional aspects,** municipality-led renewable energy can ensure that revenues generated by new forms of electricity or heat generation stay in the region and are distributed fairly among local citizens. For instance, citizens could be made co-owners of renewable energy facilities, e.g. by compensating upfront investment costs for citizens unable to pay themselves using available structural funds. Parts of the revenue from municipality-led renewable energy can also stay in the municipal budget, and be used to improve public services such as childcare and recreational activities, thereby increasing the attractiveness of the region and supporting societal cohesion. Importantly, citizens should be involved in the decision-making process on how the money is spent to ensure that the actual and perceived benefits are maximised.

Furthermore, municipality-led energy projects can provide a nexus for the development of new skills in the region. Even on a small scale, they can help to demonstrate renewable energy solutions and provide inspiration for new activities in the region.

13 See section on legal forms on page X. Renewable Energy Communities are defined in Article 2(16) and Article 22 of the Renewable Energy Directive (RED II), but it is the responsibility of Member States to transpose these definitions into national law and they may be elaborated according to national circumstances. A municipality-led renewable energy project or community needs to make sure that everyone interested can actually participate and benefit, regardless of their ability to finance upfront investment costs or the ownership of land.

14 Burning wood emits particulate matter (including PM 2.5), carbon dioxide, carbon monoxide and other pollutants which are linked to respiratory diseases and premature death. See for example, "The health perspective of wood burning in the Western Balkans region" HEAL, January 2022. Available at: https://www.env-health.org/wp-content/uploads/2022/01/Biomass_brief_EN.pdf

15 https://publications.jrc.ec.europa.eu/repository/handle/JRC122719

16 Other sustainable solution solutions may be possible, such as solar thermal projects.

TYPES OF MUNICIPALITY-LED RENEWABLE ENERGY

ROOFTOP SOLAR

On municipal buildings

Municipalities can make use of their existing public building roof space to unlock renewable energy potential through rooftop solar. Indeed, this is often where most attention is given with regards to municipality-led renewable energy. Where the municipality already owns its offices or roof space, this can be the simplest option.

The European Commission's 'REPowerEU' proposals include an obligation for solar PV or solar thermal installations on all suitable public and commercial buildings by 2028 (by 2027 for new buildings). This can generally be financed through loans, as generation potentials are well-known and remuneration is often guaranteed at a fixed price. If no support scheme with a fixed price exists, Power Purchase Agreements (PPAs)[17] might offer a solution to ensure steady revenue streams to enhance financing conditions.

Local businesses and residential buildings

What is possible in terms of using non-public buildings for rooftop solar will depend on the legal definitions of renewable energy communities available in the country or region. Where legal barriers exist - as could arise for example, in multiple occupancy buildings where it is not possible for the installation to be owned by a single operator - municipalities could focus on facilitating the development of renewable energy communities, even if they do not play a role in them, with the objective of reducing energy poverty. It might also be possible for the municipality to be granted, or to lease for a nominal fee, the roof space or land of existing residential or commercial buildings to develop municipal-led solar projects that benefit the local residents or businesses.

Similarly, to rooftop solar on public buildings, local businesses can be motivated to use all their existing rooftop solar potential well before the proposed obligation to have rooftop solar on all suitable commercial buildings. For this, municipalities can use existing business alliances and associations, including to coordinate installation pathways and incentivise regional added value, e.g. by giving installation contracts to local construction businesses (see above).

Finally, to include roofs of residential buildings, partnerships with local groups and organisations, such as neighbourhood initiatives, social cooperatives or trusted individuals can facilitate the cooperation with individual house-owners. The development and facilitation of renewable Energy Communities, as defined in Article 2(16) and Article 22 of the Renewable Energy Directive, can help to reduce the individual upfront investment costs (e.g. by distributing them among all interested citizens).

17 Power Purchase Agreements (PPAs) are long-term purchase agreements between the operator of a renewable energy installation, such as wind turbines or solar panels, with a user of electricity, such as a factory. They typically set a retail price for a longer period (such as several years), which gives both parties security regarding the price of electricity.

WIND ENERGY AND NON-ROOFTOP SOLAR

A model for wind energy development by municipalities could be to encourage pooling of wind energy-suitable land areas. This means that leasehold income is shared fairly among citizens, to avoid situations where land-owners are pitted against each other when negotiating leasehold agreements with potential (corporate) wind energy developers.[18]

Through pooling land for wind energy and leasing income, municipalities can therefore alleviate conflicts which could otherwise arise during spatial planning, the project development or the permitting procedure. Pooling land & developing renewable energy projects on the most suitable areas can also happen under the form of a Renewable Energy Community, which can help to keep a higher share of revenues in the region.

In the specific case of coal regions, land might become available after the ending of coal-related activities. These sites are often contaminated or challenging to develop, however, they may be suitable for renewable energy projects. Indeed, Europe Beyond Coal research has shown that approximately half of Turkey's open-cast coal mines are suitable for conversion to solar farms, potentially producing enough power for 6.9 million homes. Accessing this land for the purpose of municipal-led renewable energy projects may require cooperation with national governments (in the case of state-owned land), or may need to be purchased.

HEATING NETWORKS

Municipality-led renewable energy should give particular consideration to heating networks and district heating, particularly where existing heating infrastructure (such as power/heat cogeneration or discounted provision of coal for heating purposes) is affected by the phase-out of coal. The first step in the process should be to develop local heat maps, as is already obligated for all municipalities in the Netherlands and parts of Germany[19]. But even without being obliged to do so, municipalities can benefit from drawing-up such plans and can ensure that public financial support (including from EU funding) is used where it is most beneficial for local citizens, thereby avoiding stranded assets such as new gas boilers where a connection to a heating network would be possible.[20]

LEGAL FORMS

Depending on national legal frameworks, municipality-led renewable energy can take the form of Renewable Energy Communities as defined by the Renewable Energy Directive (RED II)[21], but it doesn't have to. It can also have other forms, such as direct ownership of the renewable energy facility by the municipality (e.g. financed through loans or with the use of EU funds) or a loose coordination between the municipality and local land- or building-owners.

It should also be noted that energy communities in the traditional definition, which often do not include the involvement of municipalities or elected local/regional governments, can also lead to distributional conflicts as they often require members to be able to finance upfront investment costs and can thereby generate social exclusion[22]. A municipality-led renewable energy project or community should ideally make sure that everyone interested can actually participate and benefit, regardless of their ability to finance upfront investment costs or the ownership of land.

The precise legal definitions of renewable energy communities will differ. In some countries, the REDII definitions have been transposed into national law and it may facilitate the development of energy communities in which municipalities formally partner with - or facilitate the cooperation of - businesses, citizens and citizen groups in producing renewable energy, using it and unlocking the benefits from it. In others, it may be that municipalities would have to invest in renewable energy projects individually. There is a wealth of information available on the definitions in each EU Member State available from RESCoop[23].

18 "Land lease pooling/socialised ground rent models have been around for at least two decades. These are top–down, usually developer-led practices that involve developers suggesting equitable rent sharing arrangements to the landowners. This is in contrast to the traditional model in which developers approach all the landowners in a project area, but only those whose parcels are finally selected benefit. This traditional model is perceived to create tension between neighbours and opposition to projects and, as such, gave rise to pooling models as a response. The technique for distributing rent in pooling models varies: some use concentric rings around final turbine locations, with landowner parcels in the innermost rings earning more than those farther out. Others use deliberative processes among landowners to agree on distribution rules. Land lease pooling models may also resolve tensions when repowering projects with fewer, more powerful turbines. Since not all landowners in an area who previously hosted turbines can guarantee they will host one in a repowered project, pooling rent can allay these fears. Landowner wind energy associations (LWEAs) denote a more bottom–up practice whereby landowners proactively self-organise to govern the use of the wind resource. In doing so, landowners increase their bargaining power, thereby 'diminishing the power of developers." (Wade & Ellis, 2022, p. 13, https://www.mdpi.com/1996-1073/15/10/3744/pdf)

19 https://celsiuscity.eu/urban-thermal-energy-planning/

20 https://www.nweurope.eu/media/8106/20190826-_-wp-t3-_-d11-_-guide-to-heatmapping-_-final.pdf

21 Article 2(16) and Article 22 of the Renewable Energy Directive (RED II)

22 See e.g. Radtke & Ohlhorst, 2021, Community Energy in Germany – Bowling Alone in Elite Clubs? https://www.sciencedirect.com/science/article/abs/pii/S095717872100103X

23 See 'Transposition Tracker' from RESCoop, which tracks each EU Member State's progress on transposing Renewable Energy Community (REC) and Citizen Energy Community (CEC) definitions into national law. Find out what an energy community legally looks like in your country. Available at: https://www.rescoop.eu/policy

FIRST STEPS TO REALISE A MUNICIPALITY-LED RENEWABLE ENERGY PROJECT

For municipalities who want to set up a renewable energy project following the examples given above, multiple guidelines are available to help during the process. The Horizon 2020 project 'Supporting Consumer Ownership in Renewable Energies' (SCORE) has published a step-by-step instruction (see graphic below) and tips on how to enable the involvement of low-income households.[24]

While renewable energy communities can help to reduce the necessary upfront investment costs for individual households (see above), for some households or potential members of such a community, it might still be necessary to fully assume their contribution, e.g. through financing the renewable energy installations through donations or grants (e.g. with the help of EU funding), or via the municipal budget. Furthermore, the involvement of low-income households can be facilitated by involving existing groups and initiatives, with which they have a trusted relationship.

The same research consortium also provides an overview over the legal situation in several member states, such as the Czech Republic, Germany, Italy, Bulgaria and Poland.[25] An overview can be found in the box on the next page:

Steps for municipalities to set-up a Consumer-owned renewable energy project in the form of a 'Consumer Stock Ownership Plan' (CSOP)

Identify project and partners

- Identify partners
- Decide technology
- Identify suitable land or buildings
- Search for funding opportunities

Organise co-ownership

- Identify focus groups
- Find channels how to reach citizens
- Develop ownership model
- Set up legal entity

Realising the project

- Plan and install renewable energy installation
- Maintain installation and manage the organisation

Source: SCORE project.

24 See https://www.climatealliance.org/fileadmin/Inhalte/4_Activities/Projects/SCORE/Guideline_for_Follower_Cities_final.pdf

25 https://www.score-h2020.eu/fileadmin/score/documents/D_5.4_RE_Prosumership_Policy_Recommendations.pdf

LEGAL SITUATION FOR RENEWABLE ENERGY COMMUNITIES IN SELECTED MEMBER STATES

- Czech Republic: 'Renewable Energy Community' not yet established under national law (expected in early 2023 as part of a 'New Energy Act')
- Germany: No definition yet for Renewable Energy Community (to act as prosumer[26]), but cooperatives can qualify as energy suppliers.
- Italy: Renewable Energy Communities possible for installations up to 200 kW.
- Bulgaria: 'Renewable Energy Community' not yet established under national law, no legal framework for prosumers (EU infringement procedure ongoing).
- Poland: 'Renewable Energy Community' not yet established under national law, but draft revision currently under discussion (state: December 2022)

While Renewable Energy Communities are defined in the RED II, other legal frameworks for individual households acting as prosumers or 'Citizen Energy Communities' as defined by the EU's Internal Electricity Market Directive might exist. A comprehensive overview over the legal framework and support schemes for renewable energy in all EU Member States can be found here: http://www.res-legal.eu/en/search-by-country/.

RESCOOP also provides a very helpful overview of where Member States are in transposing the definitions of energy communities under the RED on their website's 'Transposition Tracker'[27].

26 A prosumer is both producer/supplier and consumer of energy, and e.g. only sells surplus electricity to the market, while first generating electricity and heat for its own consumption.

27 Available at: https://www.rescoop.eu/policy

WHAT EU FUNDING IS AVAILABLE TO SUPPORT MUNICIPALITY-LED RENEWABLE ENERGY PROJECTS?

A wide range of support is available to regions under the EU Cohesion Policy and could be used to support municipality-led Renewable energy projects.

EUROPEAN REGIONAL DEVELOPMENT FUND

The European Regional Development Fund (ERDF)[28] can support investments in infrastructure, which could include renewable energy projects. 8% of the national ERDF allocation should also be spent on sustainable urban development.

While traditional ERDF project financing could be too large for single municipality-led renewable energy projects, community-led local development (CLLD)[29] offers an opportunity. Moreover, projects developed within the framework of Community-Led Local Development by 'local action groups'[30] can receive a 10% co-financing advantage, meaning they could receive up to 95% EU grant funding (for less developed regions[31]).

CLLD is not appropriate for single projects, but is delivered through the development of community-led local development strategies, which should be supported by Managing Authorities[32]. Note that the possibility to use CLLD - and the associated increased co-financing rates - applies to all cohesion policy funds, including the Just Transition Fund and the European Social Fund+. Details should be provided in the relevant operational programme under the specific objectives indicating the planned use of integrated territorial investment, community-led local development or other territorial tools for each specific territory targeted.[33]

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28 ERDF Regulation:

29 Community Led Local Development (CLLD) is defined in the EU Common Provisions Regulation articles 31 to 34 (see footnote 32). It is a bottom-up local development approach in which Local Action Groups are tasked with developing local strategies to make use of EU structural and cohesion funds.

30 Local Action Groups (LAGs) should be composed of "representatives of public and private local socioeconomic interests, in which no single interest group controls the decision-making".
See Article 31 of the Common Provision Regulation, "Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy".

31 A definition and map can be found here: https://en.wikipedia.org/wiki/Regional_policy_of_the_European_Union#Less_developed_regions

32 See Article 32 of the Common Provisions Regulation.

33 Article 22(3)(d) of Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy

EU JUST TRANSITION FUND

The EU Just Transition Fund (JTF) is the first pillar of the EU's Just Transition Mechanism[34]. The Fund offers grants for projects that support regions - and the people in those regions - facing the greatest challenges from the transition to climate neutrality. The JTF addresses the social, employment, economic and environmental impacts of the transition towards the Union's 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, in line with the Paris Agreement.

Amongst the eligible activities are investments in renewable energy and energy efficiency. Municipal-led energy efficiency or renewable energy schemes are therefore possible under the JTF, provided they are part of a strategy that helps to address the social, employment, economic and/or environmental impacts of the transition - and could for instance include measures that help alleviate energy poverty.

To be eligible for JTF support, the region must have a European Commission approved Territorial Just Transition Plan (TJTP). This TJTP also grants access to the other two pillars of the Just Transition Mechanism.

The grants are provided on the basis of a 85% co-financing rate for less developed regions, a 70% rate for transition regions and a 50% for more developed regions.

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EU PUBLIC SECTOR LOAN FACILITY

Apart from the JTF, the EU Just Transition Mechanism also offers the option for public authorities, including municipalities, to receive grant funding alongside a loan given by the European Investment Bank (EIB)[35] via the Public Sector Loan Facility (PLSF)[36]. The objective is to crowd in public sector investments in the just transition and the eligible beneficiaries are therefore public sector entities (which can include municipalities. This is the third pillar of the Just Transition Mechanism, complementing the InvestEU Pillar and the JTF pillar, detailed above.

Eligible projects are those that do not generate sufficient streams of revenues to cover their investment costs. They should not receive support from other union programmes, except for their preparation. Projects from public sector entities that have adopted decarbonisation plans with this corresponding hierarchy of criteria should have priority.

To access the support from the PLSF, the region benefiting from it must first have a European Commission approved TJTP. The public authority then needs to apply for a loan from the EIB and can then get up to 15% (or 25% for projects within less developed regions) of the amount lent as an additional grant from the European Climate Infrastructure and Environment Executive Agency (CINEA)[37]. Due to the fact that renewable energy projects have a steady flow of revenue, they can be particularly suitable for such a combination between loan and grant.

Multiannual calls for proposals are published on the EU Tenders Portal[38] for either individual projects, or framework loan schemes. Framework loan schemes are necessary for projects to be supported with a value of less than €25 million, and €12.5 million is the minimum value of an EIB loan. In case they are needed, collaborations with similar projects in other municipalities of the region could be envisaged.

Advisory support is also available, including for administrative capacity, under the InvestEU Advisory Hub[39].

34 Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund

35 Information on loans by the European Investment Bank can be found here: https://www.eib.org/en/projects/sectors/regional-development/index.htm#just-transition

36 Regulation (EU) 2021/1229 of the European Parliament and of the Council of 14 July 2021 on the public sector loan facility under the Just Transition Mechanism

37 General information on the Public Sector Loan Facility can be found here: https://ec.europa.eu/regional_policy/sources/conferences/jtp-may-2022/Unveiling%20the%20Public%20Sector%20Loan%20Facility%20-%20preparation,%20application%20and%20assessment.pdf.
More detail can be found in the call for applications:
- For individual projects (at least €25 million): https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-details/jtm-2022-2025-pslf-standalone-projects
- For loan schemes (combination of multiple projects which together must account for at least €12.5 million): https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-details/jtm-2022-2025-pslf-loan-schemes

38 https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/jtm

39 See this website which leads to a simple survey to access support: https://investeu.europa.eu/what-investeu-programme/investeu-advisory-hub_en

CONCLUSION

Massive investment in renewable energy, complementing the scale-up of energy efficiency and energy storage solutions, will be central to a rapid shift away from Russian fossil fuels, and will be crucial to fighting the climate crisis. The EU's coal regions can and must be at the forefront of this shift, repowering the EU in a sustainable and socially just way.

To fully unlock the potential for a just transition, municipalities should be in the driving seat of the change in their region, bringing the needs and desires of the local community to the table. At the same time renewable energy projects provide significant potential to help coal regions deliver a just transition. Therefore, municipalities should take a proactive role in developing and coordinating renewable energy projects. These projects could take the form of local heating networks or expansion of solar and wind energy, among others.

The particular advantages of municipality-led renewable energy are that they can tap the advantages of renewable energy even where commercial-scale operations might not be viable. They can also ensure that the benefits from large and small scale renewable energy projects are fairly distributed and embed them into wider strategies and local economic ecosystems or value chains.

Several sources of EU funding are available to support such efforts, such as the Just Transition Fund and the Public Sector Loan Facility (the third pillar of the EU Just Transition Mechanism). But there may be other sources of finance also available in the form of European Regional Development Fund support or from national funding sources, as in the case of the Greek Just Transition Fund which has a specific support available for energy communities[40].

40 The JTF support will also target energy transition, land use adaptation and the circular economy (energy upgrades, strengthening self-production through energy communities, renewable energy sources, e-mobility, and energy storage systems

WWF'S MISSION IS TO STOP THE DEGRADATION OF THE PLANET'S NATURAL ENVIRONMENT AND TO BUILD A FUTURE IN WHICH HUMANS LIVE IN HARMONY WITH NATURE

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