



European Energy Poverty

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Energy communities and energy poverty: Moving towards a new social and ecological contract?

Authors:

Rachel Guyet (Centre International de Formation Européenne, CIFE, France)

Florian Hanke (European University Viadrina, Germany)

Mariëlle Feenstra (University of Twente, The Netherlands)

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Highlights:

- Energy communities are expected to play a key role in addressing energy injustices while contributing to the energy transition.
- However, a first attempt to map energy communities' initiatives to mitigate energy poverty shows that their efforts are hindered by a lack of knowledge about energy-related injustices and the phenomenon of energy poverty, by procedural shortcomings, and their fragile business model.
- A pathway for energy communities to move towards a new social and ecological contract requires changes in narratives by placing justice at the core of the energy transition, by demanding flexible membership rules to empower vulnerable citizens and by prioritising social value over profitability.

1. Renewable energy communities – energy poverty nexus

In recent EU legislation, empowering vulnerable consumers to participate in the energy transition is gaining traction. According to REDII “Empowering jointly acting renewables self-consumers also provides opportunities for renewable energy communities to advance energy efficiency at household level and helps fight energy poverty through reduced consumption and lower supply tariffs.” However, in the European Union few examples of energy communities engaging with vulnerable consumers exist.

Calls for actions towards a social and ecological contract (Pochet 2021, Holemans 2019, Pochet & Laurent 2015) emerge at different levels to address the current imbalances between the economic, social, and environmental dimensions of energy and climate action. Among others, this involves sharing energy transition benefits and costs more equally, empowering vulnerable citizens and mitigating energy poverty. Renewable energy communities (RECs) are expected to implement alternative energy models addressing climate, energy, environmental and social injustices while contributing to the decarbonisation, decentralisation, and democratisation of the energy system (Heldeweg & Saintier 2020). However, their efforts to develop democratic and inclusive energy models are hindered by a lack of knowledge about energy vulnerability and poverty, by a fragile business model and misaligned regulations preventing RECs from tackling injustices caused by the energy transition.

2. Three obstacles for Renewable Energy Communities to promote a new social and ecological contract: the status-quo


Contributing to the energy transition while mitigating energy poverty and empowering vulnerable citizens entails three sets of challenges for RECs: the recognition of their role in the new social and ecological contract; the procedural shortcomings RECs face when attempting to engage in the social dimensions of the energy transition; and finally, the limits RECs face in their intrinsic business model to reach out to low-income households.

2.1 RECs lack a clear understanding of energy poverty and vulnerability

Research carried out by the authors and targeting RECs mainly in Germany, France and the Netherlands showed that **only a minority of RECs engages in mitigating energy poverty**, either because they do not exactly know what energy poverty means, or because they do not know how to address energy poverty or how to identify vulnerable groups and their needs.

2.2 RECs face procedural shortcomings

Although many RECs promote open membership, **vulnerable energy consumers are rarely members of RECs**. Depending on the legal entity and national context, many RECs face inflexible



policy regulations on membership and entry fees making alternative solutions difficult. Our research shows that share prices range between 50€ and 3000€ illustrating a general lack of alternative options such as means-tested membership fees. Rigid membership fees reflect the lack of knowledge about vulnerable households' financial capabilities to invest but also exemplify the RECs' business model constraints mainly dependent on members' investment capacity.

RECs are confronted with **regulations** that are not always aligned with their alternative models of energy provision: RECs face legal limitations like the procedural complexity to get a renewable energy construction permit (Greece), the connection authorisation to the grid (France), or the introduction of market mechanisms and reduction of Feed-In-Tariffs (Germany). Many RECs are left in limbo on legal limitations and legal opportunities, although some of them provide a positive example by tackling energy poverty despite a less favourable legal framework such as (BürgerEnergieBerlin tackling energy poverty in social housing in Berlin (see below).

2.3 A fragile business model

RECs acting on the energy market represent alternative energy provision models, but they lack enabling conditions to promote an alternative energy model. RECs' funding capital is often fully depending on the investment of their members. This financial model reduces RECs' capacity to develop initiatives targeting vulnerable consumers with no investment capacity. Loans from financial institutions are based on the strength of the business case. Subsidies from governments might be available to include other groups, but applications are time-intensive and request specific knowledge of grant opportunities available.

3. Pathways towards a fairer energy transition: a new social and ecological contract

Addressing the three categories of gaps mentioned above is necessary to position RECs as key actors of a fairer energy transition. By placing the social dimension at its core, a new social and ecological contract can drive a fair and inclusive energy transition. Three pathways are suggested:

3.1 Stimulate a narrative and action shift

Equality and social justice should be placed at the core of the narratives framing RECs. In the national and European public discourse social justice is increasingly attracting the attention of energy policymakers, stimulated by international commitments like the SDGs, the Sustainable Energy for All programme and the European Green Deal. A narrative and action shift is needed to support RECs in their potential contribution to a fairer energy transition. Social and environmental justice must become the driving force of the energy transition policy at EU and national level to empower all social groups to participate in and benefit from RECs.

REScoop.eu has developed a narrative promoting the participation of all European citizens in the energy transition regardless of their income or home ownership. A particular emphasis lies on empowering vulnerable consumers so that they have a choice and voice in shaping the energy transition.
<https://www.rescoop.eu/toolbox/energy-communities-a-way-to-bring-all-europeans-along-in-the-energy-transition>

3.2 Provide flexible membership rules to make RECs accessible to all

Rules must be eased and made more flexible to reflect different investment capacities. For example, a person should be allowed to pay her/his share in instalments and be considered as a member and benefit from the services of the RECs from the very first instalment.

The implementation of RED II in France encouraging social housing providers to offer renewable energy automatically to their residents by making them members of an energy community by default is another example on how easing membership rules may improve the participation of vulnerable citizens in the energy transition.
(<https://www.legifrance.gouv.fr/loda/id/JORFTEXT000039355955/>)

3.3 Establish an ambitious enabling framework:

RECs should be supported by national governments by **easing energy market regulations** so that these energy actors could align their energy transition mission with a social purpose engaging with vulnerable households. Creating cross-sectoral cooperation could unlock the potential of RECs to develop an inclusive energy model.

The example of Ecopower in Belgium shows how a cooperation between a local authority (the city of Eeklo) could help energy communities address energy poverty. The city of Eeklo bought 25% of the shares of a wind turbine and offered them to vulnerable consumers so that they could become members of Ecopower and switch to the tariff of the energy community that is lower than the market prices.
(<https://carbon.coop/2016/09/our-visit-to-ecopower-the-brilliant-belgian-energy-coop/>)

3.4 Give value to social and ecological contributions of energy communities

The **social dimensions of the energy transition should be given priority over profitability**. Social impact should be an obligatory indicator to access low-interest or zero-loan financial support to invest in renewable energy sources and to value the development of an inclusive model. RECs' potential to contribute to social and ecological transition should be emphasized by removing financial and administrative barriers that hinder their development as social actors of the energy transition.


La NEF bank in France is a cooperative bank that funds and grants credits only for projects with social and ecological (and cultural) focus. It has created a donation platform dedicated to the social and ecological transition.
(<https://www.lanef.com/>)

3.5 Establish local partnerships:

Local partnerships, between RECs and local actors involved in energy poverty mitigation, promote sharing experience, skills and networks and combining resources. These partnerships can help RECs identify and engage vulnerable households - and vice versa – and share more equally the benefits of the local REC among the local communities.

The cooperation between the energy cooperative BürgerEnergieBerlin in Germany and a German housing cooperative in a low-income district of Berlin resulted in the installation of solar panels on the roof of a multi-family house so that low-income tenants can benefit from electricity with a price 10% below the basic tariff. This was framed by the Mieterstrom (electricity for tenants) legal framework.
(<https://www.buerger-energie-berlin.de/informieren/buergerenergie-berlin-macht-mieterstrom/>)

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