

What is an Energy Community?

A DECIDE factsheet to explain the concept of Energy Community in the current European context

CONTEXT

The recent times have seen an increasing buzz around the terms *Energy Community*. The details of what these are, who can become part of it and what is possible to do under that banner, is often explained with complex technical-legal jargon. However, this makes it difficult for those that are not already familiar with this domain to understand what the whole discussion is about and how it relates to them.

Moreover, the situation is complicated by the creation in different European directives of **different types of Energy Communities** that are quite close to one another. This factsheet wants to provide some clarity by outlining the basic definitions of energy communities and thus easing the uptake of the approach and concept by any person, too. The work does not pretend to offer an exhaustive overview, instead it includes references for further readings.

Do you want to know more about Energy Communities?

Check out [HERE!](#)

WHAT IS AN ENERGY COMMUNITY?

It is a **LEGAL ENTITY** that allows to be **ACTIVE** in the **ENERGY MARKET**.

Where does this come from?

In 2019 the European Union released the *CLEAN ENERGY for all Europeans PACKAGE* with the objective to update the regulatory framework related to energy and outline the way of the transition towards a sustainable energy system in line with the target of the Paris Agreement.

What is new?

In Europe there were already many experiences of community-led energy production, some of which dates back to the early XIX century such as the many hydropower plants funded across the Alpine arch.

The new EU directives aim at **acknowledging the importance** of these experiences and **ensuring a favorable set in all EU countries**, to boost the development of a clean, decentralized energy system across Europe.

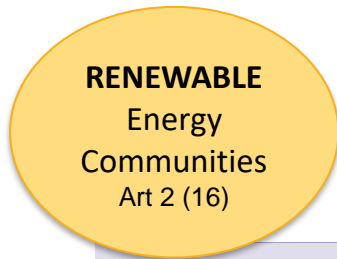
Among the updated provisions there are:

RENEWABLE ENERGY DIRECTIVE (RED II)

the European Directive on the promotion of the use of energy from renewable sources (2018/2001). It recast and repeals previous legislation.

INTERNAL ELECTRICITY MARKET DIRECTIVE (IEMD)

the European Directive on common rules for the internal market for electricity (2019/944). It repeals Directive 2009/72/EC



PURPOSE	
To provide environmental, economic or social community benefits for its shareholders or members or for the local areas where it operates, rather than financial profits	
OWNERSHIP	
Ensure the participation and effective control by shareholders or members for which the energy sector does not constitute a primary area of economic activity	
GOVERNANCE	
Participation must be open and voluntary	



SCOPE	
Renewable energy in electricity and heating s	Only Electricity
MEMBERSHIP	
natural persons, local authorities, including municipalities, and SMEs whose participation do not constitute their primary economic activity	Any interested entity
CONTROL	
shareholders or members that are located in the proximity of the renewable energy projects that are owned and developed by that legal entity	natural persons, local authorities, including municipalities, small and microenterprises with no reference to the geographical distance

□



Following the approval of the two aforementioned Directives at European level, all Member States are called to “absorb” the new provisions in their national law. This process is called *transposition* and it was supposed to be finalized by December 2020 for the IEMD and by June 2021 for the RED II. However, not all Member States are advancing at the same pace in the transposition process and unfortunately at the present time (Jan 2022), some of them still do not created the requested enabling framework. Thus, to set up an energy community, you should study the national law of your country as framework conditions vary considerably.

An updated status of progress is accessible in the [Energy Communities Hub](#).

WHAT CAN ENERGY COMMUNITIES DO?

Despite the differences between renewable energy communities and citizen energy communities, they both offer similar opportunities and benefits. According to the national law and depending on the **licencing** and **permitting** procedures defined, energy communities can:

- **GENERATE** - electricity or renewable energy. This is the most common activity of energy communities, making use of their own assets either individually or collectively.
- **SUPPLY** - sale energy to members of the community, but also other costumers that are not members.
- **CONSUME & SHARE** - when the energy produced by the community is consumed by its members.
- **DISTRIBUTE** - operate the grid in order to lower the voltage and deliver the energy to the final consumer or to a storage facility. This can be for members, costumers as well as other entities depending on the portion of grid managed.
- **STORE** - save the energy produced. This can be useful to ensure a more stable energy system. Mainly batteries are deployed to do that and, with the appropriate technology, electric vehicles can be deployed to this end.
- **AGGREGATE** - summing up the energy produced by the community, its loads and flexibility for sale, purchase or balancing in the energy market.
- **PROVIDE ENERGY SERVICES** - these can span over energy efficiency and energy savings to electric mobility. Some examples are: general advice on how to improve energy efficiency, guidance in purchase of appliances, information on incentives and funding available, energy audits, rental of power meter, energy monitoring, energy storage or smart grid integration.

WHICH LEGAL FORMS ENERGY COMMUNITIES CAN HAVE?

The legal forms that an energy community can take, either with a renewable- or citizen-focus, closely depend from the opportunities that are offered by the national law. Different legal forms establish a different relation among parties involved and the role that they can play within the community. Also,

the legal form of single parties directly involved in the community might influence the decision to opt for one form or the other.

Some examples of possible legal forms that energy communities can take are:

- **COMMUNITY TRUST AND FOUNDATION:** no-profit entity build to support initiatives that create local value. It reinvests profits in community projects.
- **LIMITED PARTNERSHIP:** is the agreement between at least two partners which can contribute with investments or other forms of support in the setup of an energy community. The profits are divided according to the share of initial investment.
- **HOUSING ASSOCIATION:** association with the objectives to create value for the tenants of multi-apartment buildings that are devoted to social housing.
- **PUBLIC UTILITY COMPANY:** when the local authority takes responsibility of maintenance and management of a specific service for its citizens. The control is subject to public regulation.
- **ENERGY COOPERATIVE:** is an association of individuals, called members that own and control the cooperative to meet a common economic, social and/or cultural goal. Cooperatives follow the democratic principle of one person-one vote regardless of the investment.

DO YOU WANT TO KNOW MORE?

- ... Why setting up an energy community or an energy collective action?
- ... Which steps should be taken to set up an energy community?
- ... What are examples and best practices?

To answer this and other related questions, check out the [DECIDE Knowledge Hub!](#)

Note:

More information about the definition of Energy Communities can be found within the DECIDE Deliverable 3.1 *“Yearly policy briefs on regulation”*.

DECIDE continuously monitors the development of the legal framework in the different European Member States. An updated version can be found in the [Energy Communities Hub..](#)

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