

**Environmental NGOs in the TWG OP "Regions in Growth" 2014-2020
KUPFES
Bankwatch
Earth - Friends of the Earth Bulgaria**

Our demands:

- Ensuring the possibility for different kinds of communities - groups of citizens, clusters of SMEs, cooperatives, condominiums etc. to build their small energy projects and receive financial support through public funds.
- Ensuring that small scale renewable energy applications developed by communities can pass through simplified application procedures and simplified administration of the projects.
- Ensuring that community power schemes are eligible under OP Regions in Growth, OP Innovation, OP Environment and Rural Development Programme. The relevant financial instruments serving these programmes also offer preferential conditions for such type of projects
- Technical assistance or funding for technical assistance is available for the communities that have decided to develop community power projects
- Expand into the urban areas the approach for community-led local development (Community Lead Local Development, CLLD), because in the cities of Bulgaria are concentrated the majority of the human capital - a good basis for the implementation of this approach.

Providing support for community energy projects through the EU funds in Bulgaria in the period 2014-2020

Bulgaria goes through serious social turbulence in the recent months. The waves of protests, including severe protests triggered by the rising energy bills, resurfaced not new problems, but rather problems accumulated for years and decades. These problems include a very centralized energy system, no liberalized energy market with very few players and no real competition. The country has the lowest energy prices in the EU, but is also the member state with the lowest income per capita. With no official data at hand different organizations and institutions claim levels of fuel poverty in households in Bulgaria, ranging from 60% to 80% (energy poor are households that spend more than 10% of their income on energy bills), 23% of households in the country are unable to adequately heat their homes

with the EU average 12%.

Ensuring the possibility for different kinds of communities - groups of citizens, cooperatives, clusters of SMEs, condominiums etc. to build their small energy projects are an important basis of the transition to decentralized energy and a real alternative to achieve energy independence and energy security, while ensuring social justice, maintaining a healthy environment and ensuring a safe climate future.

Energy efficiency and renewable energy deserve strong institutional and financial support, given the past decades and the ongoing public financial support for conventional energy. At the same time the inclusive growth we strive for in Europe presumes EU citizens would have free access to the resources of the Union. Currently most programs [in Bulgaria] that provide grants for renewable energy and energy efficiency, as well as the relevant financial instruments often suggests high thresholds to fund projects and heavy administration. In many cases the access to these funds by small organizations, and associations and those with a short history is actually impossible.

The term "community energy" refers to "owned by local people and located within the community renewable energy source" (electricity and / or energy for heating or cooling). Most definitions of the term tend to indicate as a characteristic of such projects the involvement and participation of the community that builds them – this involvement goes beyond the investment process and the simple shareholder relations. It can go a lot further in terms of community benefits as part of the income from the project can be devoted to the community and be used for instance to build a community center, for the maintenance of a school and more. "Community energy" implies the possibility of control over the project by individuals from the community that builds the project, for example through the participation in cooperative, association of small businesses, condominiums and more. Projects investing in energy efficiency may also fall under a broader definition of "community energy projects."

Benefits of "Community power."

Economic benefits from the community power projects

- Help keep more energy euros in the local economy
- Create jobs
- Add new technical skills to community skillbase from financial management to renewable technology expertise
- Reduce the dependence on fossil and/or foreign fuels
- Help match generation to customer load
- Can help to connect generation and consumption, contributing to a conservation culture
- For many technologies, depends on straight-forward, not highly specialized, repair and maintenance skills
- Produce power in the peak hours for energy demand (daytime, or sunny days in the case of solar)

Environmental benefits

- Help reduce greenhouse gas emissions and thus prevent potential climate change impacts
- Help reduce pollution related illnesses
- Help reduce power transmission losses, in grid-connected communities, when the community replaces central power with community energy
- May increase community awareness of energy use and its impacts
- May lead to greater conservation and sustainable energy behavior
- May reduce the need for extraction industries if it avoids the use of fossil fuels
- May reduce the need for large-scale hydro projects with associated effects of flooding and erosion
- Does not create challenging waste problems, such as nuclear or waste disposal and ash disposal from the conventional energy
- Does not require large amounts of water for operation

Social benefits

- Provides opportunities for local participation and capacity building in local communities
- Builds capacity for future projects and initiatives
- Gives voice to people's enthusiasm and interest in renewable energy
- May build greater acceptance of new renewable energy technologies
- Offers skills training with work based in rural communities where it is needed
- Creates long-term, high quality jobs and skills
- May become a symbol of the community and a source of pride and identity

Potential "community energy projects" can be developed in solar, micro-hydro, wind, biomass and geothermal energy sources. Within the broader definition, including Energy efficiency we can add projects on EE in buildings using natural widely available building materials, applying cheap schemes score big energy savings - energy management, recovery and more.

In Europe there are several schemes for community energy projects such as:

- Municipality of Güssing in Austria, which is completely energy independent and export energy to neighboring municipalities



- Schoenau municipality in Germany, which in the 90s of the 20th century redeemed the grid network and rely entirely on renewable energy.
- In the United Kingdom a fund supporting community energy projects - the principle of operation of this fund is explained in the Annex to this position.

Very important prerequisite for the development and support of similar projects in Bulgaria in the next programming period is to expand into the urban areas the approach for community-led local development (Community Lead Local Development, CLLD) in a way similar to the LEADER approach in the rural areas. Currently only limited pilot schemes of this kind are being considered in result of the disappointment from the application of the approach in rural areas. But we should not forget that the cities of Bulgaria concentrate the majority of the capacity and human resources and there is a better basis for the implementation of this approach.

Possible financial schemes in EU funding for Bulgaria

Simplified rules, easy access to financial instruments and simplified administration for the grant schemes and the relevant financial instruments for cooperatives, condominiums association of NGOs and small businesses - this is the basis required for the development of community power projects.

Support to “community power” can be introduced in the following programs in the period 2014-2020:

- OP "Regions in growth" - support for condominiums (extension of the current scheme), and support of community power capacity in public buildings, which are used by local communities such as schools and community centers. In the current programming period were laid the foundations of some of these possibilities, but further involvement of the citizens from the communities is needed as well as more transparency in the decision making and direct access for the citizens to the funding, and not only for municipalities. In the cases where this is not appropriate, the aim should be that the citizens participate in the decision-making process and in the implementation of projects - selection of contractors, technology, budgeting. The program should be open to various forms of cooperatives in urban environments (eg, parent cooperatives, manufacturing cooperatives). The CLLD approach should be broadly used.
- OP “Innovation and Competitiveness” - ringfenced resource targeting SMEs clustered around small projects for own energy consumption and power sales at market prices; support for cooperatives;
- OP "Environment" - projects in protected areas of individual or clustered organizations parks in cooperation with localities (eg Parks + residents of the village / villages); demonstration projects;
- Rural Development Programme - Projects in rural areas - for groups of homes, public buildings such as schools and community centers, SMEs and cooperatives, NGOs (ie all at increased requirements for involving citizens in the process, we listed in the recommendation to OPRD)

There are many unexplored possibilities for Bulgaria to provide financing to participants in such projects - crowdsourcing, bank loans, cooperative contributions. It is strongly recommended that the

levels of grant are in line with the need for support of the chosen technology. Relevant to most programs - it is essential to provide easy access to cheap financing, even at the expense of lower grant levels. i.e. at low or zero interest rates.

In the majority of cases, the energy produced by the community power projects is for own use within communities and only the surpluses are being sold at market prices. Option to finance community power projects is also the system for green certificates. Green certificates are still not introduced in Bulgaria.

Community Power

Community power refers to community-owned renewable energy projects. The opportunity for residents to develop and own green energy infrastructure represents a fundamental shift away from the conventional energy system characterized by centralized planning, polluting supply resources and corporate ownership. Therefore CEE Bankwatch and Friends of the Earth are campaigning to massively increase the proportion of energy derived from community energy schemes.

Some recurring features of Community Power are:

- Involvement of citizens in running the project
- Tangible local social benefits
- Creation of a cooperative or, more generally, a non-corporate structure
- Elements of decarbonisation
- Profits benefiting community members through direct distribution or re-investment in other community energy schemes.

One of the main benefits of this community-based approach is a direct involvement of citizens in energy-related decisions, so that they can take control of their energy ensuring that their needs are placed before the interest of large energy companies.

In order to promote public support for Community Power and the use of viable Community Power schemes, we are currently conducting a study on a Community Generation Fund created in the UK with the view to implementing similar schemes in CEE countries. Please refer to the overview below for more information.

What is the UK Community Generation Fund?

The Community Generation Fund is a national fund created to foster the development of community-owned renewable energy infrastructure in the UK. The Fund is designed to assist communities seeking to develop renewable energy generation infrastructure which will create renewable energy, social engagement and a long term income source.



Who is it for?

Borrowers should be distinct legal entities rather than one or more individuals. Likely legal status of borrowers will be:

- Community Interest Company (business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community)
- Industrial & Provident Society (also known as ‘society for the benefit of the community’ or BenCom, cooperative structure set up to benefit its members)
- Company limited by guarantee (with social purpose)
- Incorporated Charity

Projects sizes considered from 25kWp upwards, with majority expected to be in 50kWp-1MW range.

Beneficiaries should rank within the top 50% most deprived locations in England, Wales, Scotland or Northern Ireland, as listed in latest available UK Indices of Deprivation.

How does it work?

The Community Generation Fund provides 2 types of funding:

1. Finance for up to 75% of pre-planning development costs, via bridge loans which will be repayable only if planning consent is achieved successfully (“Development Loans”);
2. Finance for up to 75% of post-planning construction costs, via term loans with flexible repayment arrangements (“Construction Loans”);

Development Loans - in this case relevant expenditure items are:

- Environmental and ecological studies (e.g. fishery studies, flood risk assessments, noise etc.)
- Technical studies (e.g. anemometer studies, detailed feasibility reports etc.)
- Detailed design and project planning (e.g. full scheme specifications, consultant reports etc.)
- Licence applications and related reports/studies (e.g. Abstraction licences, Grid connections etc.)
- Planning applications (e.g. final planning consents, based on EA reports etc.)
- Legal advice (e.g. Heads of Agreements with land-owners etc.)

Construction Loans - long-term loans for equipment, construction and commissioning costs (post planning consent) either stand-alone or alongside bank finance. In this case the fund supports expenditure such as:



- Capital equipment
- Construction, civil engineering, commissioning costs
- External contractor/project management costs
- Relevant external professional fees

How is it managed?

The FSE group organises quarterly meetings with investors to inform them of current activities and expected returns. This fund is managed by one fund manager supported by a larger investment team.

How is it financed?

In general, the FSE group works in partnership with several organisations, including the EU through the ERDF. The UK Community Generation Fund has been launched with the support of two initial investors, Big Society Investment Fund and Esmee Fairbairn Foundation.

Viability of Project

Cash-flows generated (e.g. via Feed-In-Tariffs or the UK Renewable Heat Incentive, private sale agreements etc.) are sufficient to cover operating costs and loan servicing/repayment, with capacity for surplus cash-flow over time to be created for the community itself (for re-investment into other community-benefit initiatives).

Repayment terms

With reference to the Development Loan, it is contingently repayable, i.e. if the project does not reach planning consent (subject to time-based criteria) due to insurmountable adverse findings or planning refusal, loan repayment will be deferred indefinitely. If the project reaches completion, the loan is repayable (0 interest rate BUT an exit premium of 25-100% which is likely to represent less than 5% of total project costs).

The Construction Loan can be repaid over a period of 5-15 years, with an Interest of typically 7-10% per annum, depending on risk assessment and extent of flexibility required.

Collaterals

Development loans are basically unsecured, hence the higher cost of financing for the borrower. Construction loans entail step-in rights plus assignments of key consents (planning, land-owner, abstraction etc.) and if applicable, nominated recipient of FIT/RHI revenues. Precise security arrangements are to be resolved at legal-stage, but typically will involve debenture over the community investment vehicle which owns the project.

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