



Energy communities for a just energy transition

Policy recommendations for Portugal

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Introduction

Today's parallel and reinforcing crises have a big impact on households across Europe, plunging many into a situation of socio-economic vulnerability. At the same time necessary long-term policies are challenged by declining trust in governments and politics. This signals a system unfit to sustainably provide for people's needs within planetary boundaries. To break free from this spiral, participatory, cross-sectoral approaches and shared ownership over the transition towards a new system will be crucial.

For years already, citizens across Europe are translating feelings of frustration and powerlessness into vibrant movements (re)claiming power over the energy system. Through collective empowerment, governance and ownership over renewable energy services, they aim to create stronger and more resilient and sustainable communities in which not only the costs but also the benefits and opportunities of the energy transition are equally divided and accessible for all. During the recent energy crisis, energy communities across Europe have shown how a collectively owned and democratically governed energy system can shield us against market volatility, strengthen accessibility and social acceptance of the energy transition and provide a platform for underrepresented groups in climate and energy decision-making. They harness grassroots knowledge, legitimacy, empowerment and social cohesion in a community.¹ As such, energy communities have the potential to address energy justice, which is commonly defined as an energy system that has representative decision-making, fairly distributes costs and benefits of the energy transition, and recognises specific injustices faced by different groups in society.²

The CEES project investigated, evaluated and explored energy community's solidarity initiatives to increase the impact of community energy schemes on vulnerable households. Throughout the past couple of years, CEES partners have identified opportunities and barriers to strengthen energy communities' potential as a vehicle for a just transition. In the run up to the submission of the final National Energy and Climate Plan updates we would like to seize the opportunity to present our policy recommendations.

Current state of affairs at the national level

Energy poverty in Portuguese law

In 2020, 17.5% of Portuguese citizens (around 1.8 million people) were unable to keep their home adequately warm, almost 10% more than the EU average for that year.³ While a number of policy initiatives were developed to face this challenge in recent years, the Portuguese government, like many other countries, has mainly focused on keeping energy affordable through financial support

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https://energy.ec.europa.eu/system/files/2023-10/SWD_2023_647_F1_OTHER_STAFF_WORKING_PAPER_EN_V5_P1_3016190.PDF

² <https://publications.jrc.ec.europa.eu/repository/handle/JRC134832>

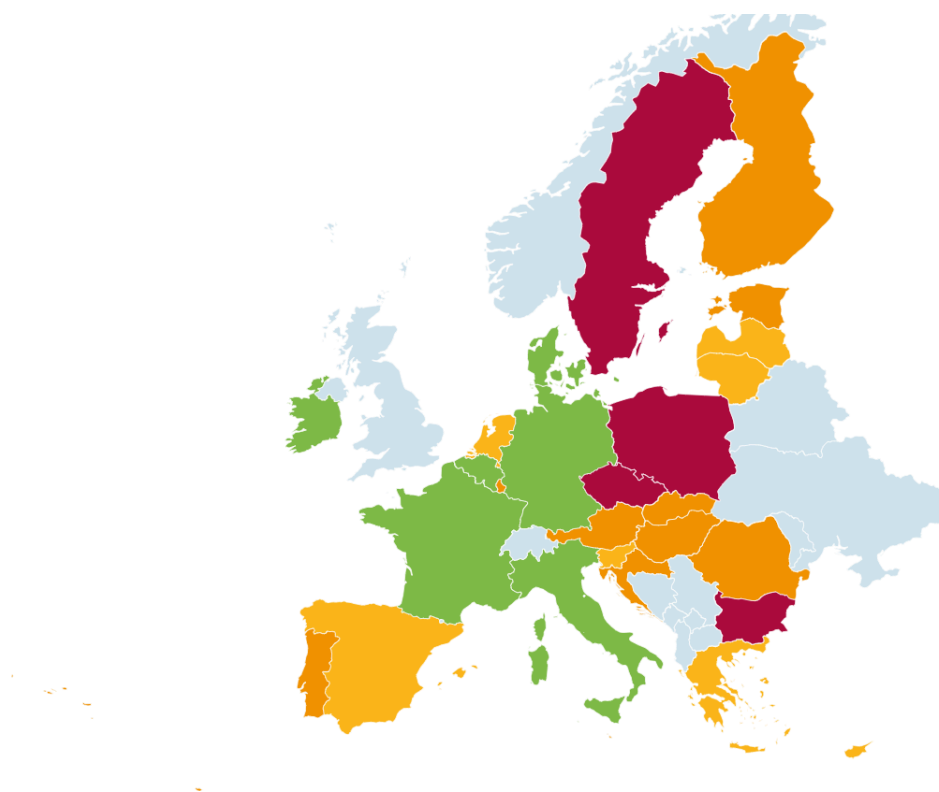
³ EUROSTAT (2022, 22 August). Inability to keep home adequately warm - EU-SILC survey.



mechanisms in the form of social tariffs on gas and electricity. Another measure specifically targeted towards vulnerable households was the Vale Eficiência Program (energy efficiency voucher) for energy efficiency investments to improve thermal comfort. Due to several issues related to communication, the application process and contractors-related issues⁴, it did not lead to envisaged results.

In its draft Update NECP and recently published National Long-Term Strategy to Tackle Energy Poverty, Portugal significantly raises its ambitions to provide a more structured response to energy poverty and tackle some of the root causes leading to vulnerability. The Long Term Strategy's main goal is to eradicate energy poverty by 2050, protecting vulnerable consumers and actively integrating them into the energy and climate transition, which is intended to be fair, democratic and cohesive. It adopts the definition of energy poverty as set out in the European Energy Efficiency Directive (the first formalised energy poverty definition at EU level) and aims to monitor the issue through the establishment of a National Energy Poverty Observatory, which should also promote coordination between different policy areas such as energy, housing, solidarity and social security, health, education, territorial cohesion and finance. The Long term strategy provides guidelines, which should be reinforced through 10 year action plans by the Observatory, revised every 3 years. Currently there are two main entities in charge of policies to monitor or tackle energy poverty, ADENE and DGEG.

REC and CEC definitions



⁴ https://socialwatt.eu/sites/default/files/news/SocialWatt_CountryFactsheet_PORTUGAL_final.pdf



Image 1: [REScoop.eu Transposition Tracker CEC & REC definitions](#), version: January 2023

The concept of Renewable Energy Communities (“Comunidades de Energia Renovável”) was introduced in Portuguese law in 2019 in the Law on Renewables Collective Self-Consumption⁵. This law did not include a framework for Citizen Energy Communities (“Comunidades de Cidadãos para a Energia”), which only followed at the beginning of 2022 in the Law Organising the Electricity System⁶.

The provisions on RECs are in general copy-pasting RED II provisions. This leads to insufficient legal clarity on the potential activities RECs can engage in and on their specific role in the Portuguese energy system. The CEC definition remains basic as well as it does not elaborate on what each term means at the national level. Both definitions contain deficiencies, going stricter than EU legislation (ex. using geographic proximity as a precondition for effective control and eligibility in RECs) or remaining too flexible (ex. allowing for projects to be owned by third parties as long as it is for the benefit and at the service of the REC, which could lead to a watering down of the concept). This may lead to confusion and limit the development of energy communities over time.⁷

Enabling frameworks

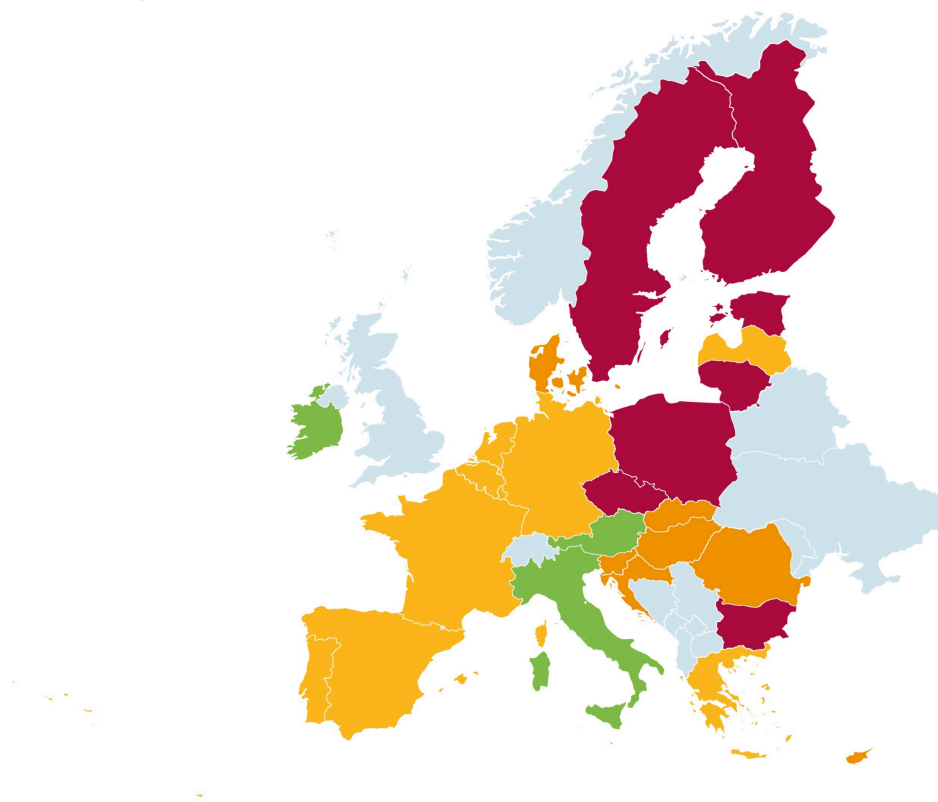


Image 2: [REScoop.eu Transposition Tracker CEC & REC enabling frameworks](#), version: December 2022

⁵ Decreto-Lei n.º 162/2019

⁶ Decreto-Lei n.º 15/2022

⁷ REScoop.eu (s.d.). Transposition Tracker. Portugal REC/CEC definitions.



With regards to the enabling frameworks, renewable energy communities benefit from exemptions from “prior control/communication, registration and operating requirements, depending on the installed capacity or the use of the public network for injection of electricity in case of self-consumption.”⁸ Portugal also ensures that citizens are entitled to participate in RECs. However, work remains to be done to fully develop the required enabling frameworks and sufficiently address the specificities of RECs when designing support schemes.⁹ Especially with regards to facilitating access to vulnerable households and supporting RECs’ potential to address energy poverty, further concrete steps and guidelines are required.

How this affects project results

Energy communities in Portugal are currently challenged by a significant amount of barriers. The Portuguese community energy partner in CEES, Coopérnico, experiences its context as demanding and not sufficiently facilitating for smaller, alternative players in the energy market. This makes it hard to fulfill their social role.

Policy recommendations

We welcome the fact that energy communities are mentioned as a measure to combat energy poverty in the National Long Term Strategy to Combat Energy Poverty. Portugal is also one of the few countries connecting energy communities with energy poverty alleviation in its NECP. However, ambitions towards consumer empowerment, energy democracy and energy poverty alleviation through energy communities, remain superficial. In particular, energy poverty alleviation is currently framed as intrinsically linked to energy communities, as something that happens by itself when general supportive measures for energy communities are put in place.

The creation of enabling frameworks and a level playing field for energy communities is necessary and required by EU legislation. It may indeed strengthen energy communities capabilities to take up new roles and lower a communities’ overall vulnerability to energy poverty. Yet, given the complexity of the issue of energy poverty and the challenge of setting up an energy community in the current energy system, **energy poverty alleviation through energy communities does not happen by itself. It needs to be established and incentivised through dedicated efforts.** As stated in the recently published [European Commission Staff Working Document on Energy Poverty](#):

Energy poor should not be left out of empowerment but rather be a key target for policies to put them at the centre of the energy transition. (p.50)

By 30 June 2024 Member States have to share a final NECP update with the European Commission. As these plans indicate Member States’ timeframes and policies, definitions and measures they aim

⁸ SWD(2022) 0149 final.

⁹ COME RES (2021, April). Policy Brief #1. Renewable Energy Communities - Are we nearly there?



to put in place to tackle energy and climate issues, NECP updates present an ideal opportunity to step up ambitions and consolidate commitments.

1. [Correctly and completely transpose regulatory and legislative provisions on energy communities into national legislation, with justice objectives enshrined as a key principle.](#)

Irregularities remain in the Portuguese transposition of REC and CEC provisions, jeopardising the development of the movement and the contributions it could deliver to achieve just transition objectives in a timely manner. We urge the Portuguese government to fulfil its legal commitments to correctly and completely transpose provisions on RECs and CECs, and, in particular, to put in place supportive policies and measures to help energy communities become more active around inclusiveness and targeting low-income, vulnerable and other social groups that are, for one reason or another, unlikely to be able to benefit from participating in an energy community. We recommend that Member States **embed energy poverty alleviation and inclusiveness in the national definitions of CECs and RECs as a key objective of energy communities.**

2. [Prioritise identification of barriers preventing low-income and vulnerable households from participating in RECs and CECs.](#)

While the IEMD and the RED II do not provide details on how to concretely achieve social innovation through advancing community energy, the Recitals to the RED II specifically state the importance of assessing how participation of vulnerable consumers can be enabled. When assessing barriers for the development of RECs at the national level, **we recommend the Portuguese government to, as a priority, identify and lower barriers which are (1) preventing low-income and vulnerable households to join or set up an energy community and (2) preventing energy communities from becoming more accessible to vulnerable and low-income households, and tenants.**

With regards to (1), we welcome the energy poverty definitions and indicators included in the recently published National Long Term Strategy to Combat Energy Poverty. Such an assessment is a necessary point of departure for any meaningful strategy towards a just energy transition. Building on this, we recommend that future research deepens an understanding of which specific elements in a vulnerability context pose barriers for low-income and vulnerable households to claim their right to join or set up an energy community and currently overshadows the benefits that joining an energy community may bring. Energy communities should become an attractive and accessible choice for all. This choice is currently preconditioned by certain requirements, such as time commitments, financial stability, being able to take certain risks and so on, which are not available to all.

With regards to (2), a [survey carried out by the CEES project](#) among 77 energy communities across 14 European countries shows that, for 77% of the respondents a lack of funding is the main barrier to doing more to tackle energy poverty, followed by a lack of staff (69%) and a lack of knowledge and expertise (48%). 21% identified legislative or regulatory hurdles, identifying current regulatory and legislative frameworks as impeding their efforts to address energy poverty. In relation to lack of funding, the public sector was identified as the most important source for 20 of the 50 ECs



responding (40%). Several also noted that the short-term nature of grants and high competition for limited funds make it difficult to plan and execute effective, long-term schemes. In turn, lack of funding limits the ability to engage staff. Just 9% (seven of 77) of ECs analysed have more than five full-time employees working on energy poverty, meaning the vast majority have limited capacity. There's the need for capacity building, adequate funding, and business models to strengthen energy communities' social impact and integrate energy poor households in energy communities. Incentives to RECs that relax or remove participation requirements for vulnerable and low-income households may be a way forward to remove barriers for vulnerable and low-income households to join a community energy project. Flexible membership rules could, for instance, reflect different investment capacities.¹⁰ Public funds could be leveraged to this end.

3. Leverage the use of EU public funds to promote energy communities' inclusiveness towards vulnerable households

As indicated in the [financing tracker](#) developed by REScoop.eu, CEE Bankwatch Network and the Climate Action Network, there is still room for improvement for Portugal to better leverage major funds such as the Recovery and Resilience Fund and Cohesion and Regional Development Funds. For example, the Commission's guidelines regarding the REPowerEU chapter of the Recovery and Resilience Plans specifically highlight energy communities as vehicles to tackle energy poverty. Portugal indeed promotes collective self-consumption and energy communities under the Environmental Fund, mentioning that this may also contribute to the alleviation of energy poverty. However, it did not seize the opportunity to include or prioritise specific social components in selection criteria. Therefore, in line with what was mentioned above, this recognition fails to materialise in concrete action.

The recently established Social Climate Fund opens more opportunities for dedicated support for community and participatory schemes to ensure a just transition. We recommend that Portugal makes use of this opportunity to translate its ambitions on energy communities and energy poverty into concrete measures and actions. **We recommend making a clear taxonomy that differentiates between those energy market players that advance energy justice, and those that don't.** Social impact could be made an obligatory indicator to access low-interest or zero-loan financial support to invest in renewable energy sources.

4. Embed short term energy poverty alleviation measures in long term strategies towards a just energy future

[As in many other European countries](#), the Portuguese government's response to the recent energy crisis mainly took the form of financial support measures, such as energy bill support through income support, price caps and lowering grid access tariffs. While these types of measures are necessary to absorb the hardest blows on vulnerable households in crisis situations, in the long run such measures may exacerbate structural inequalities by creating lock-in effects and undermining longer

¹⁰ Guyet, Hanke & Feenstra (2021, March). Energy Communities and Energy Poverty: Moving towards a New Social and Ecological Contract?



term-strategies. For example, [the Social Tariff is found to hinder the roll-out of energy communities by damaging the economic case for self-consumption](#). Lots of money is spent on such measures, while structural measures such as home renovations, energy efficiency interventions and energy communities, remain underfunded. **Governments should put stronger efforts into embedding such short term alleviation measures in long term strategies towards a just energy future.** And, in line with the European Commission's Recommendation on Portugal's draft Update NECP, we recommend establishing stronger data on distributional impacts of crisis response policies, of the climate and energy transition and of planned objectives, policies and measures to support a just transition. To prevent measures from having a disproportionately negative impact on those in already vulnerable positions, communities and social actors should be brought more structurally into the design of such policies.

5. Recognise energy communities as part of the solution, not as the final resort

Facilitating and stimulating the participation of citizens and communities in designing and delivering ambitious climate and energy policies will be key to tackle some of the most pressing issues we are facing today. While it's important to recognise the potential role that energy communities can play in tackling energy poverty and advancing energy justice, it is beyond their reach to solve social justice issues. We need big and bold actions from decision makers on structurally tackling social injustices across all EU Member States. Policymakers should create the right frameworks that enable alternative measures for managing the energy system, compared to those tried, tested and failed to deliver for people and the planet.

The progress Portugal made over the past couple of years is important, but the country's commitment still needs to be consolidated. To mobilise and incentivise local actors new incentives and support schemes need to urgently materialise.

