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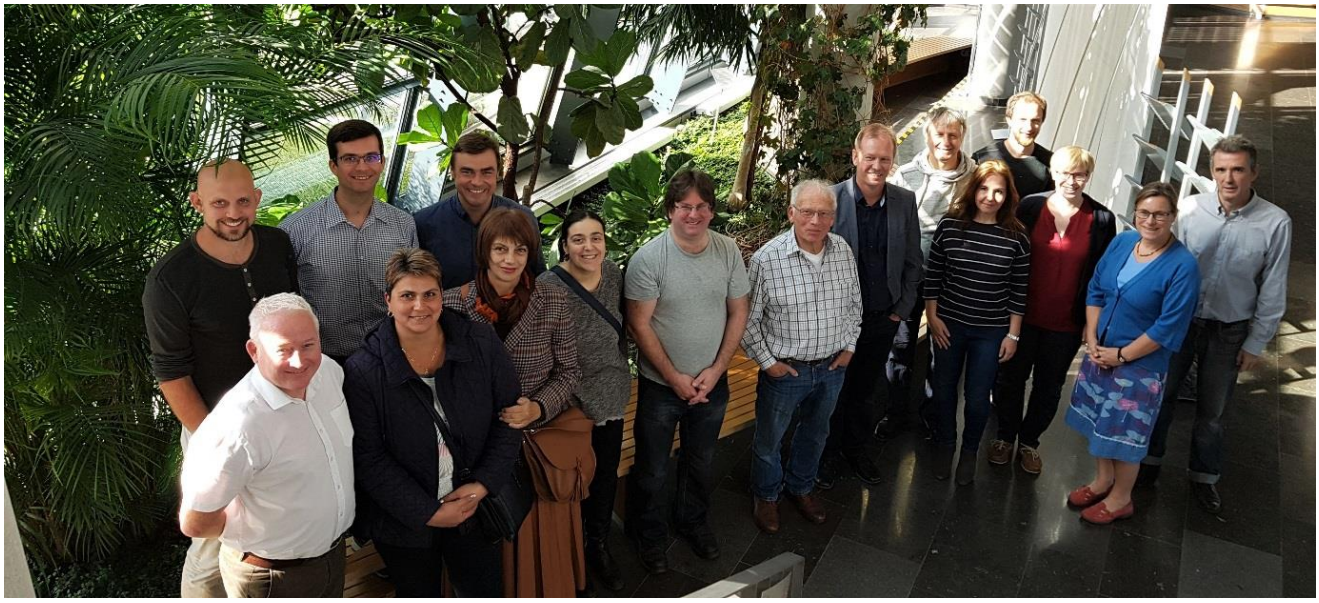
COALESCCE PROJECT

Action Plan

LENERG Energy Agency

(PP6)



The COALESCCE team

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Action plan – Improvement of the Territorial and Settlement Operational Programme Addressing Municipal Energy to Catalyse Community Energy Schemes in Hungary

Part I – General information

Project: COALESCCE

Partner organisation: LENERG Energy Agency

Other partner organisations involved (if relevant):

Country: Hungary

NUTS2 region: North Plain – Hajdú-Bihar County

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Project Background:

COALESCCE is an Interreg Europe funded project and stands for Community Owned And Led Energy for Security, Climate Change and Employment (or Economy). Community owned and led energy is referred to simply as "Community Energy", and refers to energy transition projects which have been conceived, developed, financed and delivered by a collection of citizens acting together as a community group.

Because community energy projects are in the main motivated by a desire to make a positive contribution to the fight against climate change, rather than primarily for making money, they have a number of advantages over renewable energy projects delivered by the private and public sectors (although the public sector can legitimately be said to be a member of the wider community and a key stakeholder in community energy).

Community energy can deliver energy security at a very local level, due to the local ownership and management of individual projects and the local distribution of energy generated by them. It can also deliver carbon emissions savings that are missed by private and public approaches to renewable energy because communities are generally interested in smaller, local projects which have a local relevance and benefit (such as solar PV on community owned buildings) that energy companies and local authorities are not generally interested in. When amalgamated, these smaller community projects can yield significant carbon savings. Finally, the local supply chains used in the construction of community energy projects, and the local ownership of these projects, means that the local economy benefits much more than larger projects where technical teams are brought in from outside the locality for construction, and ownership is generally at regional or national level.

Project partners are Oldham Council (Greater Manchester), UK; Abruzzo Region, Italy; agencies from: Hajdu-Bihar County, Hungary; Prahova, Romania; Valencia Region, Spain; and NGOs from: Konstanz, Germany, and Sofia, Bulgaria. For more information, see https://www.interregeurope.eu/coalescce/

Part II – Policy context

The Action Plan aims to impact:	x	Investment for Growth and Jobs programme
	□	European Territorial Cooperation programme
	□	Other regional development policy instrument

Name of the policy instrument addressed: Territorial and Settlement Development Operational Programme (TOP)

TOP has been the selected policy instrument because this is the operational programme that supports the development of municipalities in various areas; specifically TOP 3.2 priority connects municipal development with sustainable energy. On the other hand, municipalities with a "cooperative inclination" can take the role of catalysers in creating co-operations among residents that can lead to community energy schemes –but they may need some support for this unconventional activity.

Although TOP runs out in 2020, there remains some room for manoeuvre with remaining funds. The main objective of this action plan is to influence the TOP so that it specifically includes and supports community energy. This is also in accordance with the revised Renewable Energy Directive (Directive (EU) 2018/2001), which introduces renewable energy communities as legal entities, and requires that member states implement measures to ensure their non-discriminatory market access, and support training and information provision to have them started and well-functioning. The Managing Authority (MA) of TOP is the Deputy State Secretariat of Regional Development Programmes in the Ministry of Finance (MoF). In energy calls, contentwise they closely collaborate with the State Secretariat for Energy and Climate Policy, in the Ministry of Innovation and Technology (ITM), the ministry responsible for energy policy making and strategic planning of the energy sector development.

The type of this action plan is close to "Type 3: Change in the strategic focus of the policy instrument (structural change)", but it is more a specific addition, and thus a minor modification, than a strategic change –renewable energy, combatting climate change and municipal community development are already among the objectives of TOP.

Part III – Details of the actions envisaged

ACTION

Improvement of the Territorial and Settlement Operational Programme Addressing Municipal Energy to Catalyse Community Energy Schemes in Hungary

1. **Background** – experience gained and lessons learnt from the COALESCCE project relevant to this Action Plan

In Hungary, community owned and led energy solutions are rare - for most of the people (even in the energy profession) it is a new concept. In its "classical" formal organisational set-up (legal entities such as energy cooperatives) it is non-existent. There are some traditions, activities and initiatives, however, that can partially be related to community energy and that can be built upon.

- There is an over one hundred year old tradition of cooperatives in agriculture and some trades – however the bad experience of forced cooperation during the decades of the communist party dictatorship marred the attractiveness of cooperatives and the willingness to cooperate freely, from bottom up.
- There are energy efficiency refurbishment initiatives in large block of houses in which residents decide together on technical and financial details of their project.

- There are some informal energy related community activities led or coordinated by NGOs; two examples are 1. the biobriquette manufacturing roma inhabitants in the village of Told and also in other locations, 2. the straw bale house building community nationwide aided by an NGO, volunteers and a Facebook group.

In general, COALESCCE project has provided inspiration, theoretical and practical knowledge as to where and how to step forward from these sporadic and fragmented experiences. This inspiration and knowledge came through the following various ways and channels:

Experience and knowledge were gained before and during the peer reviews; beforehand written information was provided on community energy and its wider context for each partner country and region, whereas during the peer review presentations, field trips and discussions with coop managers and other stakeholders gave further specific insight.

First of all, the most affirming inspiration for Hungary derives from the German and British development of the community energy sector – they prove that this cooperative model works and has significant potential. Beside the quantitative evidence (over 1000 energy cooperatives operate in Germany which together with farmers and individual RES-E producers own 42 GW, i.e. 42% of the total RES-E capacity (2016); over 200 community benefit societies in England own 170 MWe; there is 700 MWe cooperative and individual RES-E capacity in Scotland with a policy target of 1 GW by 2020) it was inspiring to see and talk with the many enthusiastic cooperative managers, members and volunteers in Germany and the UK. These face to face discussions were possible during presentations and site visits. For example, the visit of Stockport Hydro showed how a volunteer based model can work professionally – dividing the work task between a few retired financial, technical experts (management) and those without specific expertise (providing general day to day maintenance). This scheme provides both acceptable financial returns (interest) and non-monetary benefits for members (community work, the pleasure of small but personal contribution to the climate change battle and environmental protection in general; and a kind of leisure or recreation pleasure experience when volunteers go to do maintenance and have a chat at the same time surrounded by the nice natural environment of the hydro plant). The project earmarks some of the profit (putting it in a so-called community benefit pot) for further community projects. The examples of cooperatives in Germany proved that a cooperative can be successful economically so that rather than relying on volunteers, they can employ tens of people and grow from local to regional level with tens of PV, wind, and biomass projects.

The several occasions to meet with the president of Community England (the association for community energy in England) and a leading UK consultancy for the sector (Quantum Strategy & Technology Ltd) were also enlightening, especially regarding the forms, and operation models of community energy organisations. On the other hand, the difficulties of the sector (often unfavourably changing policy environment, economies of scale/lower financial returns, getting professionalised, ageing membership base, etc.) also provided food for thought not only for formulating suggestions but also for thinking about the prospects of community energy in Hungary. The knowledge gained provides a firm basis to elaborate and then implement the action plan – it provides munition of reasoning when approaching policy makers, municipalities, NGOs, interested residents – all stakeholders.

The COALESCCE project made it also possible for the partners to participate on the annual community energy conference organised by Community Energy England in Manchester in 2019. The conference was edifying and useful mainly in two aspects.

- First, it covered holistically technical, economic, financial, regulatory and policy issues surrounding community energy in England. As community energy hardly exists in Hungary, it was inspiring to see how this sector developed from a fledging to thriving status in England and what the further prospects are. It was useful to learn about the special company forms, the ways of the capital raising process, the organizing work required to establish a community energy entity. It was also important to see how the distribution network companies help the penetration of community energy establishments. The interactive sessions helped to understand and allowed to discuss the conditions of the further evolution of the sector - again from various aspects.
- Second, the conference facilitated networking; to establish relationships with various actors, such as community energy producers, professional market intermediaries, consultants, network operators and NGOs.

The following good practice provided by COALESCCE project partner Oldham Council directly inspired the Hungarian action plan:

Good practice – catalysing role of the cooperative council of Oldham

Oldham is one of the poorest areas of Greater Manchester. The council is very supportive for the development of RES and puts efforts to make community power part of the Council Agenda. The council is a 'co-operative council' (a council of co-operating nature) and wanted the benefits of renewable energy to be shared with the residents. The council conducted feasibility studies on schools and a community centre for PV installation. Local members of the community were invited to collaborate on the project. Three people came forward to help, bringing a range of business and environmental activism skills. The study identified five schools and a community centre that were feasible for community-owned energy. A type of co-operative known as a Community Benefit Society was formed and they signed rooftop leases at zero rent with the council. The co-operative, called Oldham Community Power, offered shares. They raised some money, but not sufficient to make all the necessary investment to meet the feed in tariff deadline and install the PV panels.

A proof for the dedication of Oldham Council Officials is that the Council boosted the capital raising process through a low interest loan to the community energy coop to install the equipment and make them able to start operation at all. This loan was expected to be repaid from further share underwritings once people could see that the PV panels are up and running and thus in larger confidence were willing to buy shares (thus repayment of the loan in large part was actually realized; the remaining amount of the loan that the co-operative was not able to repay from share sales was converted into shares owned by the council). This way over half of the cost of the scheme was paid for by local people who receive an annual interest payment on their shares. One option for share purchase was through monthly instalments, to spread the cost over time for low-income households. See: http://oldhamcommunitypower.org.uk/

This Good Practice shows how a dedicated municipality can catalyse the process of establishing a community energy scheme with pulling people together, with doing some of the organizing work and building trust, with reducing costs and risks with conducting feasibility studies, with offering area for the RES installation free of charge, with providing low interest loan and becoming a member itself.

2. Nature of the action

In Western Europe community energy grew out of individuals' and groups' concerns about climate change and the environment, and how to do something themselves to address some of these issues in their local community. The movement was therefore driven by ideology, commitment and a wish to act. The context is somewhat different in Hungary from that in more affluent countries. The majority of people are more financial benefit oriented –though also for many the environment is getting higher in their preferences. Also, the tradition of citizen initiations, cooperation and cooperatives themselves – unlike in Western Europe - is impaired by four decades of dictatorship that did not allow individuals to autonomously form organisations and coming together was allowed only in organisations formed and/or supervised by the governing party – on the other hand there are bad memories of forced membership in agricultural cooperatives. These imprints and traits have largely dissolved since 1990, but not disappeared entirely in the past decades. The example of district heating shows this: the tendency in past decades was that many people disconnected from the network and implemented individual heating solutions –but this apprehension seems to come to halt by now. Willingness to cooperate is also a social psychology as well as a cultural issue – and as such, it takes time and needs deliberate intervention to change it.

Community energy and cooperatives in energy production/consumption are new ideas in Hungary. A new idea - even if proven well working elsewhere - needs initiators, catalysers, market makers - whatever we call the pioneers who aim at making a break-through for their concept. Also, although there is a cooperative tradition in Hungary, its attractiveness vanished due to the forced application of the model during the decades after World War 2. These two factors both lead to the conclusion that the start up of community energy must be given a push in Hungary that can overcome lack of knowledge and distrust and thus reduce perceptions of risks. This policy push chosen for this action

plan will directly aim at the above-described catalysing actor, and with its mediation, those in the population could be attracted into community energy projects who discover they have some inclination to cooperate in this area to achieve some financial and non-monetary/social benefits.

Although there are several entities that potentially could play such a role (e.g. NGOs, experienced SMEs, etc.), based on the inspiring practice of Oldham Council that a municipality can raise the idea, attract people, and help overcome initial difficulties of the establishment of community energy cooperatives, we concluded that in Hungary some municipalities with climate change awareness and of cooperative nature can also play the role of the catalyser, if inspiration, financial support, knowledge and guidance are provided for them. Municipalities have a day to day interaction with citizens, mostly enjoy their trust, and have experience in renewable energy and energy efficiency projects. Thus, this action plan addresses the Territorial and Settlement Operational Programme, priority 3.2, which supports municipalities in their sustainable energy related endeavours and thus which could provide funding also for community energy initiatives.

The action plan intends to influence this operational programme in a two stage approach, which can be characterized as follows:

1. Contributing to a decision to support community energy within the scope of the operational programme

The aim is to influence the energy policy maker (ITM) and MA so that community energy is supported via the TOP, and municipalities that wish to catalyse community energy are supported.

2. Influencing the details of calls for applications - executing of the operational programme

Once the policy makers' will is there to include community energy in the TOP, the objectives will be realised via the concrete calls. The aim is to influence the calls that municipalities can effectively play the role of the trust builder and risk reducing catalyser for starting up community energy. The goal is that calls include support measures along with financial resources that help municipalities

1. confidently be part of founding and become a member in an energy cooperative and/or
2. facilitate all the activities that are necessary before a formal cooperative is established by residents - that is conduct feasibility assessments, inform residents on particular project ideas, and help people organize cooperatives (providing internal and external experts and information material for forums and discussions).

There should be options/calls in which, besides covering the above-mentioned soft start up costs, grants or preferential loans towards the costs of assets are provided to the municipality or the cooperative, too.

Complementary steps

However, this is what can be regarded supply side measures. Municipalities are doomed to failure if there are no aware residents who are interested in setting up community energy cooperatives, who are willing to cooperate in energy initiatives. Even better, if ideas also spring up among people, and if needed, they can rely on the cooperation with the municipality. To this end, there will be activities that aim at creating also the informed environment, and thus a potential demand for being part of community energy project in the population. This requires information dissemination and trainings both on community energy itself and on the support options (calls) that will be available. The target group is not only residents, but also the energy profession and intermediaries such as NGOs, financial institutions. Naturally, the municipalities are also involved in this capacity building. These activities can be regarded as steps made in order to create knowledge about and demand for community energy in the population.

Steps – the detailed action plan

In order to promote the establishment and successful operation of community energy in Hungary and Hajdú-Bihar County catalysed by municipalities as intended by the action, the following specific steps are planned to be carried out by LENERG with the named stakeholders:

- Step 1 - Preparing an information and policy brief on community energy and discussing it with the Managing Authority and ITM (the Energy and Climate Policy Cabinet and the Decarbonisation Main Department), the energy policy maker and thus the responsible government branch behind support measures including operational programme planning in energy themes in order to influence the TOP so that it includes community energy in next calls.

- Step 2 - Preparing a policy brief on possible options of calls related to community energy and discussing it with the Managing Authority and ITM - with details and options of potential catalysing roles of municipalities – so that calls can support community energy via cooperative and proactive municipalities

- Step 3 - Meeting with the president of HB County Government and the Development, Planning and Strategy Department, the department responsible for executing and monitoring TOP (also the one that collects needs of municipalities to be supported) so as to generate interest and request their support so that the MA announces community energy calls – as well as calling their attention to expected support possibilities of community energy

- Step 4 Creating knowledge about and generate interest in community energy – creating a proactive environment

  - Activity 1 - preparing and distributing digital information brochure on community energy for municipalities (highlighting their potential role in it) – partly based on COALESCCE Good Practice toolkit

  - Activity 2 - preparing and distributing information brochure (digital and paper) on community energy for NGOs and citizens where municipalities interested – partly based on COALESCCE Good Practice toolkit

  - Activity 3 - consultation with the Association of Climate Friendly Municipalities and making a cooperation agreement to promote community energy among their members

  - Activity 4 - consultation with three municipalities about community energy and their potential involvement (with the support of the operational program) about creating community energy scheme in their area – partly based on the COALESCCE Good Practice toolkit

  - Activity 5 - launch a community energy Facebook page – general information on community energy as well as posting news and information related to calls for application once they are announced

  - Activity 6 - cooperation with the Department of Landscape Protection and Environmental Geography, University of Debrecen in which LENERG delivers a lecture on community energy each year for MSc students

3. Stakeholders involvement

Stakeholders involved

As the Managing Authority of TOP has more an executive role than that of a strategic decision maker, LENERG approached also those decision makers/their experts who have the real say in energy policy issues - that is that part of public administration which is responsible for professional preparations of renewable energy policies. This body is the Decarbonisation Main Department at the Ministry for Innovation and Technology (ITM). Also in ITM, we had discussions with the coordinator of energy strategy and sector planning at the Cabinet of Secretary of State for Energy and Climate Policy. ITM is the main decision maker regarding what (energy related) calls are announced in each operational programme having energy related priorities– inter alia the TOP. Influencing the policy instrument is in progress, we had discussions with the head of the Decarbonisation Main Department and the Cabinet about community energy in general, the COALESCCE project, and how community energy could be supported in TOP and other means. They were open to community energy, and are aware that it is an important theme also because the revised Renewable Energy Directive ("RED II" - entered into force

in December, 2018) also stipulates its promotion. ITM established a body in the autumn of 2018 named Energy Innovation Council and invited LENERG to participate in it and to prepare a short section on and for the support of community energy (as a business model innovation). LENERG prepared this background material by early March 2019, and it formed the basis of community energy being included in an innovation promoting proposal that went to the government in the spring of 2019 and some of which may become legislated. In its proposal, LENERG highlighted the role TOP and municipalities could play to establish community energy in Hungary.

The Managing Authority (and other experts of the Ministry of Finance) were involved via bilateral discussions and a workshop in Budapest about community energy and the possibilities of TOP and other means to promote it. Thus, both MA and ITM are aware of the COALESCCE project, its endeavors and specifically this action plan. As yet, there has been no formal endorsement given, but the discussions with them confirmed that they see the importance of community energy and support the idea of promoting it via municipalities as catalysers.

Besides these processes, LENERG held a workshop in Debrecen, Hajdú-Bihar County and numerous face to face meetings with various stakeholders about community energy and the possibility to support it via municipalities as catalysers. The following stakeholders were involved:

List of stakeholders involved

- Ministry for Technology and Innovation, ITM (Decarbonisation Main Department and the Cabinet of Secretary of State for Energy and Climate Policy) – responsible inter alia for energy policies, energy strategy, energy sector planning
- Ministry of Finance – 1. Management Authority of TOP 2. Support Policy Dept. – responsible for TOP operational programme planning 3. Territorial Planning Dept.
- HB County Government – President and the Development, Planning and Strategy Department – the department responsible for proposals and execution of TOP in HB County
- Hungarian Energy and Public Utility Regulatory Authority (the regulator of the energy sector)
- Association of Climate Friendly Municipalities
- Municipalities – as potential initiators of community energy projects
- INNOVA – Regional Agency for innovation
- Századvég -a Research and Consulting institution – a government think tank
- Emisszio NGO – environmental and energy NGO –very active in the region
- Association of Hungarian Nature Conservationists NGO (Friends of the Earth) –they have some community energy related initiatives
- Landscape Protection and Environmental Geography Dept., University of Debrecen – introducing community energy in their education supported by LENERG

Stakeholders to be involved during the implementation phase

The meetings and discussions will continue with the above key stakeholders also in the implementation phase, especially with those mentioned in the detailed steps of the action plan. There will be a few other ones involved as well.

- Associations of cooperatives and entrepreneurs
- Energiaklub - national environmental and energy NGO
- Magnet Community Bank – inclined to finance community projects
- E.ON DSO – the regional electricity distribution system operator

Also, a monitoring committee will be formed including some of the key stakeholders led by HBM County Government.

4. Timeframe

Step 1 - by October 15, 2019
Step 2-3 - by February 15, 2020
Step 4 Activity 1-3 - by March 30, 2020
Step 4 Activity 4-6 - ongoing till June 30, 2021

5. Costs

On the side of LENERG the implementation of the steps in this action plan will require EUR 3500 overall budget. This includes personnel costs (salaries and employer's tax and social security contributions costs on top) and printing of brochures and domestic travel – funded by own resources of LENERG.
The implementation cost of the support measures themselves by the government / Management Authority cannot be assessed yet as the desired extent of the propagation of community energy is not decided upon yet.

Date: June 27, 2019

Signature: _____

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Stamp of the organisation (if available): _____

Appendix

to the Action Plan prepared by LENERG Energy Agency in the COALESCCE project

Declaration

On behalf of the Deputy State Secretariat of Regional Development Programmes in the Ministry Of Finance, the Managing Authority for the Territorial and Settlement Development Operational Programme (targeted policy instrument of the COALESCCE project for Hungary), we acknowledge and appreciate the content of the Action Plan prepared by LENERG Energy Agency Nonprofit LLC.

Budapest, June 28, 2019

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Signature

Pénzügyminisztérium 64.