



**RESPONSE
TO THE CONSULTATION
ON FUTURE COHESION POLICY
IN EU BUDGET 2020-2027**

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Executive Summary

The EU is facing unprecedented challenges right now, but the future Cohesion Policy can make a contribution to strengthening the rule of law, fundamental rights and the principles of democracy, while also enabling ordinary citizens and local communities to participate in the benefits of the energy transition and demonstrating the value of European citizenship to people across Europe. In line with the notions of energy democracy, community-based economy and social Europe, the future Cohesion policy can give more power to the people in deciding how the EU funds should be spent and thus address the shrinking space for civil society and the issues regarding the rule of law and fundamental rights. Below we set out our priority policy recommendations to achieve those aims, which will also make the next EU budget more coherent and prevent contradictory spending:

- **Address key failings in the governance and enforcement of EU funds:** by including express grounds for suspension of EU funds where operational programmes or projects are being implemented in ways that threaten rule of law and fundamental rights, establishing a role for national ombudsman to oversee EU funds implementation and an obligation on the EC to act on the ombudsman's recommendations or findings, as well as an obligation for Managing Authorities to consider the beneficiary's sustainability and climate profile and track record.
- **Ensure that the next budget is sustainability and climate-proof** by increasing the climate mainstreaming target to 40%, introducing a requirement for all spending plans and operational programmes to undergo a Strategic Climate Impact Assessment, introducing an obligation for projects to be compared against alternatives using a sustainability scoreboard and denied financing if more sustainable alternatives exist which achieve the same objectives, as well as establishing a Sustainable Finance Observatory mechanism equipped with a robust methodology to track and quantify climate impacts of budget lines and spending plans.
- **Include specific new ex-ante conditionalities to address barriers to effective public spending on the clean energy transformation and public participation:** requiring Energy Poverty Action Plans to be in place, requiring a policy test to limit negative impacts of national legislation on investment in renewable energies, making key elements of the Code of Conduct on Partnership enforceable, and imposing a requirement for National Energy and

Climate Plans to be in place, accompanied by a strategic policy framework to ensure that EU funds serve the achievement of defined goals.

- **Propose targeted financing solutions to facilitate access to capital for prosumers and community energy projects** and create an enabling framework to unlock innovative financing and help scale up and incentivise the citizen led clean energy transformation. Such solutions could include the Energy Citizens Facility, separate funding envelopes/thematic objectives dedicated to prosumer and community energy projects in the Member State's national allocations, targeted technical assistance funding and arrangements tailored to the needs of smaller projects and non-professional investors. To make sure that the energy transition leaves no-one behind, the FEAD fund should be expanded and tasked with tackling energy poverty among the most vulnerable.

Introduction

The EU is facing unprecedented challenges as it opens the negotiations of the new Multiannual Financial Framework. One of those challenges concerns the rise of euroscepticism and the forward march of political forces which question the European project. The new MFF holds a great potential to counter those tendencies and restore people's faith in Europe - by turning EU funds into an instrument for promoting democratic decision making, rule of law and fundamental rights, and for empowering citizens and local communities while protecting the most vulnerable. These are important values which demonstrate the worth of European citizenship to ordinary people. In this consultation response, we propose specific, concrete ways to make them reality.

Bankwatch considers that the role of cohesion policy within the architecture of the next MFF must be strengthened and not reduced. As one of the most visible components of the MFF with great potential to do more to connect citizens to the European Project, and with public infrastructure investment rates highly dependent on EU Funds in the CEE region and elsewhere, we are concerned by the Commission's recent consideration of scenarios that would cut the size of cohesion policy allocations, or limit the available beneficiaries to poorest Member States alone. Cohesion policy must remain a pan-European objective, and reforming it to become a stronger, more people-centred driver of transformative, sustainable projects is an essential response to the future of Europe crises (see the cross-sectoral campaign www.peoplesbudget.eu).

We support some of the big changes presented as options in the Commission's Reflection Paper on the future of EU Finances. Cohesion post-2020 should indeed be reformed to exert greater policy-steering effects, and there is a great potential in allocating cohesion funds differently, more clearly linked to performance in the EU's environmental and social goals. It is also vital that the future cohesion policy avoids the contradictory and unsustainable spending we see in the current programming period.

In line with the cross sectoral PeoplesBudget campaign, we therefore recommend the introduction of **sustainability and climate proofing** of the next EU budget, as is necessary to minimise contradictory spending, provide maximum investor certainty, and bring cohesion policy in line with the EU's obligations under UN Sustainable Development Goals and the Paris Agreement on Climate Change. Our proposed **new ex-ante conditionalities regarding a Renewable Energies Investment Environment Test and the requirement for states to have NECPs in place, accompanied by Strategic Policy Frameworks** for the energy sector, also serve the same purpose of ensuring policy coherence in EU spending.

Improved governance and new and strengthened enforcement arrangements are needed in the regulations governing cohesion policy funds to address systemic failings and gaps in the

enforcement of cohesion policy at both project and operational programme level. Intrinsicly linked to enforceability of cohesion policy and the EU environmental *acquis* is the question of linking the MFF more clearly with respect for the rule of law and fundamental rights. In this paper, Bankwatch recommends the introduction of specific new requirements that will improve the enforceability of European rules with regard to the spending of EU funds, including **a role for the national ombudsman** and **clearly defined powers for the Commission to suspend funds**. The aim is to make implementation of the next EU budget a bulwark of rule of law and fundamental rights.

Despite the positive addition of the Partnerships Principle, we do not yet have a cohesion policy that guarantees the rights to meaningful participation of local citizens, NGOs and stakeholders in EU spending in practice, nor one that is sufficiently transparent or accessible for citizens and investors. To address this, we believe that **making the European Code of Conduct on Partnership enforceable** should be a new ex-ante conditionality. For now, the Code remains unenforceable at project level, and too often poorly implemented at operational programme level. In addition to making these requirements enforceable, the future cohesion policy can make a powerful response to the Future of Europe crisis by moving from partnership to genuine participation in EU spending. We recommend the introduction of **pilots for participatory budgeting**¹ for sustainable development, going beyond the underutilized CLLD tools and learning from the multitude of cities reaping the benefits of participatory budgeting across the globe.

Finally, in addition to strengthening the citizen's role in the governance of EU funds, the new budget should **allocate more targeted funding to projects that benefit the people and local communities, such as prosumer and community-based energy projects**. A strategic opportunity in the next cohesion policy is to address the lack of EU policy attention to prosumers and community-owned renewable energy. By innovating to unlock innovative financing and helping these small-scale investors overcome barriers in access to finance, the post- 2020 cohesion policy can make a golden contribution to making the vision of putting energy citizens at the heart of the Clean Energy Union a reality.

Allocating more funds to citizens-led projects will also guarantee that the benefits of EU funding are distributed more fairly, in line with the notion of social Europe, especially if special provisions are included to tackle energy poverty. It will also help the mining regions in the EU achieve a successful just transition based on indigenous, local potentials.

¹ See: [Growing democracy together](#)

This position is informed by the long standing experience and case law history of civil society networks working with local stakeholders on the implementation of EU Funds, involved in the Monitoring Committees, and challenging projects that harm citizens or their environment. Many of the key recommendations in this paper are accompanied by brief case studies, or legal complaints, from one or more countries in Central and Eastern Europe (CEE).

1. GOVERNANCE AND ENFORCEMENT – SOLUTIONS FOR A MORE SUSTAINABLE, PEOPLE CENTRED COHESION POLICY

A. Compliance and Enforcement

Linking Cohesion Policy with rule of law and fundamental rights

The shrinking space for civil society and blatant attacks on the rule of law are felt every day by our members and civil society partners in many Member States in the CEE region. The unfolding debate about linking the next MFF with rule of law, and potentially fundamental rights, is one of high importance. It is vital to approach these issues carefully and recognise their sensitivity and potential to play into the hands of eurosceptic forces plaguing the EU.

Bankwatch believes it is essential to draw a distinction between cases where EU funds are being implemented in ways that directly or indirectly threaten the rule of law and fundamental rights, both at operational programme level and at project level, and cases or issues that are unrelated to EU funds. In the case of the former, our experience and case histories reveal many deficiencies in the current system. There is certainly scope to strengthen the quality of democratic engagement in EU spending through new ex-ante conditionalities, clear grounds for suspension of funds and a role for the national ombudsman as a way to secure the people's right to appeal. However, regarding the latter, we are concerned that a general, undefined ability for the Commission to suspend EU funds where the action or issue in question is not related EU funds may backfire.

It is clear that the Commission lacks the enforcement capacity to open investigations in all cases representing clear risk of breach of Cohesion Policy requirements or other EU laws. In some cases, clarification or strengthening of the general or fund-specific regulations within Cohesion Policy is necessary to strengthen the hand of the Commission to intervene – for example by making the partnership principle enforceable, or clarifying the Commission's powers to suspend EU funds where these are used to undermine the rule of law or fundamental rights. But this alone will not address the systemic enforcement gap, which is particularly a problem for smaller projects which do not require notification and approval by the Commission under Cohesion Policy.

When the Commission elects not to open investigations, despite clear evidence of breach or risk of breach of Cohesion Policy or EU environmental laws, affected citizens and parties require the right to appeal, and the existence of independent review.

Another common problem experienced by many civil society partners working on the implementation of Cohesion Policy rules and EU environmental legislation is ‘salami slicing’. Member States repeatedly design and phase connected projects just below the threshold of ‘Major Projects’ category. By doing so, they avoid the more stringent requirements and Commission approval as set out under the Regulation, including requirements for information and identification of options and environmental impact and requirements concerning notification to the Commission of material changes since project approval, and in this way reduce the chances of DG Regio opening investigations. This is the sort of loophole that the Commission must take steps to avoid through reform of Cohesion Policy.

Finally, in some cases EU funds are granted to beneficiaries with a track-record of non-compliance with EU environmental legislation or disregard for the partnership principle or rule of law. The future Cohesion Policy needs to grant the Managing Institutions a mandate to take that track record into account when selecting projects.

For those reasons, we consider that new mechanisms are needed. The legal policy objectives of such mechanisms should include:

- a) equitable access to justice for affected citizens and stakeholders, i.e. the right to appeal a decision on EU funds and provision for independent review – to both strengthen the hand of the Commission and help address the enforcement;
- b) a clear mandate for the European Commission to suspend funds where the rule of law, fundamental rights, or the EU legislation are not respected;
- c) a mandate for the Managing Authorities to take into account the beneficiary’s track record of non-compliance when selecting projects.

The live case of the Struma Motorway in the Kresna Gorge, Bulgaria, which we explain below, where the weaknesses of the current enforcement system have been exploited and where the EU will likely end up funding the destruction of pristine wildlife, vividly demonstrates the need for a stronger enforcement framework in the future Cohesion Policy.

Solution 1 – A role for National Ombudsman

Improved enforcement mechanisms needed – a role for National Ombudsman to ensure right to appeal and independent oversight

One possible solution strongly deserving of attention is to build **a role for national Ombudsman into the compliance mechanisms of the future Cohesion Policy Regulations**. This would have the practical and political advantage of partially returning compliance and access to justice to the national level, providing affected citizens and stakeholders with an avenue for appeal. A decision or recommendation by an Ombudsman regarding existing or

potential breach of Cohesion Policy or EU law could legally trigger the requirement for DG Regio to open investigations or even to temporarily suspend funds until the potential breach was rectified, or to refuse the approval of a project.

As the ability of national ombudsmen to effectively perform this role depends on them having adequate resources to deal with the task, **they would receive financial support from EU funds to finance their activities concerning oversight over the implementation of EU Cohesion Policy.** Such funding could be provided under memorandums of understanding concluded between the European Ombudsman and national ombudsman.

Solution 2 - Clarification of the legal grounds for suspension of EU funds where the implementation of an operational programme risks undermining the rule of law or fundamental rights

Improved enforcement mechanisms needed - the EC needs to have a clear mandate to suspend funding where EU funds spending undermines rule of law or fundamental rights

Compliance with the key elements of the Code of Conduct on Partnership, enshrined in article 5 of the General Regulation on Cohesion Policy, has a clear connection with the health of democracies and respect for fundamental rights. **We recommend that rights to timely provision of access to information and early engagement of partners, and other key elements of the ECCP are enshrined as grounds for suspension of EU funds to make them readily enforceable at operational programme level, where evidence of systemic failings exist.** While one approach is to create a new ex-ante conditionality, the limitation of this is, as currently designed, these are only assessed mid-way through the programming period. Therefore it may be preferable to also include these grounds within those listed in article 142 (suspension of funds) for the General Regulation on Cohesion Policy, which are applicable from the start of a programming period.

It is not sufficient to include such safeguards for rule of law and fundamental rights at operational programme level alone. They must be replicated at project level where applicable, to provide clearer legal grounds for the Commission to initiate investigations and proceedings, and specifically, for the suspension of the portion of funding in question where threats are detected in the implementation of EU funded projects. As but one example, clear breaches of the partnership principle in cases like Kresna Gorge should be grounds for the refusal or a major project or temporary suspension of funds, but are not under the current Cohesion Policy.

Case study 1: Kresna Gorge, Struma Motorway Major Project, Bulgaria

The case study of Kresna Gorge is, again, emblematic of the need to make rights to participation and information enforceable grounds for review at project level, as well as at operational programme level. Despite article 5 of the General Regulation on Cohesion Policy, which makes the European Code of Conduct on Partnership theoretically binding but not legally enforceable, the evidence presented to DG Regio of wildly inadequate public consultations and limited engagement with affected citizens and stakeholders was not potential grounds for refusal of the project or the suspension of funds. Further reading: www.kresna.org

Solution 3 - Clarifying duties on Managing Authorities to consider the track record and profile of beneficiaries

EU funds must not directly or indirectly support illegality and non-compliance with EU and national environmental laws

We recommend the post 2020 Cohesion Policy includes **legal duties for Managing Authorities to ensure that the environmental track record and profile of beneficiaries is taken into account in project selection processes**, including any significant risk of non-compliance with environmental laws.

Cohesion Policy can do more as a ‘first mover’ to help catalyse sustainable finance across the Union. One way to pull through more impact from EU funds, and to avoid inadvertently supporting contradictory spending, is to **require an assessment of the track record and investment plans of prospective beneficiaries**. There are currently no express duties on Managing Authorities to do this within the General Regulation on Cohesion Policy. Experience of civil society groups monitoring the implementation of EU funds reveals cases where the environmental benefits of projects risk being cancelled out due to the expansion of high carbon or otherwise environmentally damaging projects within the beneficiaries portfolio. In other cases, receipt of EU funds support for specific non-contentious projects may make the difference in allowing corporations to continue or expand fossil fuel extraction or combustion, or engage in illegal activities breaching environmental laws.

Specific requirements for energy utility companies

Specific requirements are needed for energy utilities companies whose portfolios include a high percentage of fossil fuels. Companies planning new coal plants, for example, are clearly jeopardizing the EU’s decarbonisation goals and risking stranded assets. Therefore, in addition to the need for legal duties to take account the profile and track record of beneficiaries, we recommend the following for energy utility companies:

- a) The existence of a fossil fuel phase out plan as a condition for any financing;
- b) A prohibition on any form of financing from EU funds, where the company plans expansion of coal capacity - including mining and exploration, the development acquisition or operation of new coal-fired power plants, or expansion of related services and infrastructure.

Case study 2: Poland's State Forests Holding, which vandalised the Białowieża Forest and breached EU environmental rules, remains a major beneficiary of EU funds

The State Forests Holding is a major beneficiary of EU funds. In the current financial perspective, the State Forests have been granted more than EUR 150 million for nation-wide projects, mostly related to climate adaptation (water retention and fire protection), and more than EUR 6 million for various local environmental projects. These funds are provided through the Infrastructure and Environment Operational Programme financed from the Cohesion Fund.

The State Forests is also the same entity whose logging activities in the Białowieża Forest (a Natura 2000 and Unesco heritage) have flagrantly violated European law and have resulted in massive destruction of protected wildlife. In March 2016, the State Forests obtained governmental approval for an amended management plan for the Białowieża Forest District, which increased the permitted timber harvest levels threefold. The decision was not preceded by an appropriate assessment of the impact on the protected site, which constituted a breach of Article 6(3) of the Habitats Directive according to environmental organisations. The increased logging activity also amounted to failure to take the appropriate measures to avoid the deterioration of natural habitats and the habitats of species, i.e. a breach of Article 6(2) Habitats Directive.

The scale of logging in Białowieża was enormous – 180 000 m³ of timber was harvested, without proper environmental impact assessment. Logging continued in Białowieża even after the European Court of Justice issued a provisional measure ordering a stop to all activity in Białowieża – the State Forests continued cutting down trees under the pretext of ensuring public security, in areas where the trees posed no security threats.

Recently, the advocate general of the ECJ stated that Poland broke EU rules by increasing logging in the Białowieża Forest, which means the country will most likely lose the case at the ECJ. The story of what happened in Białowieża is a sad example of large-scale environmental vandalism and unprecedented disregard for the European institutions. Yet, the State Forests continue benefiting from EU funds and this funding cannot be challenged because it has been allocated to project that do not directly concern the Białowieża Forest.

Final note - Use EU funds to support democracy enhancing projects

Finally, we recommend allocating a portion of EU funds to support democracy enhancing projects, inline with the cross sectoral PeoplesBudget campaign:

www.peoplesbudget.eu/how-could-we-use-the-eu-budget-to-strengthen-democracy/.

B. Sustainability and climate-proofing

Sustainability Proofing – testing, independent review, stronger legal duties on MAs and MSs, and mechanisms to exclude harmful project categories

The CEE region has not realised the full potential offered by the current financial perspective to transition towards clean energy. On the contrary, EU funds were often used to support fossil investments and unsustainable transport modes, locking the countries into fossil-fuel dependency, at the expense of renewables and energy efficiency.² Specific reforms to the governance arrangements of Cohesion Policy are needed to minimise contradictory and wasteful spending post 2020. The post-2020 Cohesion Policy should introduce sustainability proofing, and its vital subset, climate proofing, as described below, building on the performance framework and horizontal safeguards that already exist but which experience shows are both deficient and not well implemented in many Member States.

Article 8 of the General Regulation on Cohesion Policy contains the horizontal requirement for all Cohesion Policy spending to mainstream sustainable development and protection of the environment, linked with the environmental chapter of the Treaty on the Functioning of the European Union. This general principle also requires Member States and the Commission to integrate environmental protection in the drawing of Partnership Agreements.

However, for the current programming period, assessments of Environmental Managing Authorities (ENEA-MA) have proven the difficulties that Managing Authorities and Member States are having difficulty in implementing these general (and not readily enforceable) duties to mainstream sustainable development. The report found they are having trouble doing this particularly in spending for non-environmental thematic objectives.³ These admissions underscore the need for sustainability proofing, including clearer guidance from the Commission, exclusion of worst offending project categories based on independent review and transparent criteria, and positive legal duties on Member States and Managing Authorities to demonstrate how they are mainstreaming sustainable development.

This corresponds with the experience of civil society networks in Monitoring Committees, where at project and operational programme level, sustainability and environmental protection are too often given mere lip service. Numerous case studies and legal complaints from the current programming period illustrate the need for reform and clarification of the rules and duties on

² Report: [Climate's enfants terribles. How new Member States' misguided use of EU funds is holding back Europe's clean energy transition](#)

³ Report of the European Network of Environmental Authorities: [Mainstreaming the environment in cohesion policy 2014 to 202](#)

Member States and Managing Authorities. Some cases represent missed opportunities to invest in latest and most environmentally friendly technologies. In others, investments that destroy pristine areas of biodiversity where alternatives exist, or lock in high carbon infrastructure for decades, are simply in blatant contradiction to the EU's commitments under the Paris Agreement on Climate Change and the UN Sustainable Development Goals. To highlight a recent case, millions of euros from Cohesion Policy funds are being spent on the destruction of Natura 2000 sites to build a highway where alternatives exist in Kresna Gorge, Bulgaria.⁴

Studies from Climate Action Network Europe and CEE Bankwatch Network find that over 930 million euros from the European Regional Development fund are supporting fossil fuel projects,⁵ counteracting the mitigation achieved by climate mainstreaming across 20% of the EU budget.⁶ Bankwatch supports the findings of the European Court of Auditors (2016)⁷ which found both risk of missing climate mainstreaming targets unless the pace was increased, and underscored the importance of improving the *quality* of climate related spending, also through tracking the negative impacts of high carbon investments in Cohesion Policy and the Connecting Europe Facility.

Both the European Commission and the European Court of Auditors have found that the 20% climate spending target is at high risk of being missed:⁸ without taking further measures the total climate change finance in the EU budget by 2020 would amount to €200.1 billion or 18.9%. In its 'mid-term review' of the EU budget from September 2016 the European Commission⁹ admits that 'more efforts are needed' to achieve the 20% climate action target, but the Commission does not propose concrete steps in this regard.

In the absence of clearer legal duties and specific new horizontal measures for sustainability proofing, (of which climate proofing is a specific component), these bad and contradictory spending cases will continue to populate media and play into the hands of Eurosceptic forces. They will also undermine the credibility of the Commission's political message to 'do more with less' in the next EU budget unless new Own Resources are agreed to fill the Brexit gap.

⁴ Bankwatch legal complaint: [Illegal damage and threat of destruction of the Kresna Gorge](#) (major projects category under the Common Provisions Regulation)

⁵ Report: [Phase-out 2020: Monitoring Europe's fossil fuel subsidies, September 2017](#)

⁶ [Other examples of unsustainable spending that will continue to exist unless cohesion policy is reformed](#)

⁷ Special report No 31/2016: [Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but at serious risk of falling short](#)

⁸ Ibidem.

⁹ COM(2016) 603 final, 16.9.2016; [Mid-term review/revision of the multiannual financial framework 2014-2020. An EU budget focused on results.](#)

Solution 1 - Sustainable Finance Observatory and sustainability test

Legal mechanics needed to exclude the most harmful project categories

We support the High Level Expert Group (HLEG) on sustainable finance which recommended in its interim report a ‘sustainability test’, coupled with the creation of institutional arrangements for independent review of all spending lines (a ‘sustainable finance observatory’), to assess the compatibility of all project categories with sustainability criteria. A similar proposal was called for in the recent Opinion of the ENVI Committee to the Own Initiative Report on the Future MFF¹⁰. These are key components of sustainability proofing at horizontal level.

As part of operationalizing sustainability proofing, and climate proofing as an essential component of this, the post-2020 EU budget will need to include the methodological requirements to track and where possible quantify the negative impacts of all spending against transparent climate and broader sustainable development criteria.

In addition, we consider that it is necessary to build into the Common Provisions Regulation the **legal provisions to exclude the most harmful project categories** on the basis of transparent criteria and independent review of the ‘sustainability test’ across project categories. This can provide the simplest and clearest certainty for investors and Managing Authorities alike.

Solution 2 - Require all spending plans and operational programmes to undergo Strategic Climate Impact Assessments

We also believe that all spending plans and operational programmes should be required to undergo a **Strategic Climate Impact Assessment**, similar to the Strategic Environmental Assessment.

Solution 3 - Require all project to be compared against alternatives using a sustainability scoreboard

Moreover, a requirement should be introduced for all projects to be **compared against their alternatives before project funding is awarded**, and for funding to be withheld if there exist more sustainable alternatives that achieve the same objectives. In order to ensure transparency, the Commission would define a **scoreboard** or matrix where projects and their alternatives would be rated based on criteria such as emissions reductions, impact on biodiversity, social impacts, presence of green procurement clauses etc. as well economic effectiveness. Adequately

¹⁰ Report on the next MFF: [Preparing the Parliament’s position on the MFF post-2020 \(2017/2052 \(INI\)\)](#)

designed, such a scoreboard could eliminate financing for projects that are less sustainable than viable alternatives. However, in order to achieve its aim, it would have to be coupled with strong provisions on mandatory public consultation in which the public would be able to put forward alternatives (our experience shows that project promoters cannot be trusted to honestly present all viable alternatives). The inclusion of cost-effectiveness into the scoreboard would also contribute to making the next EU budget performance-based as it could eliminate oversized projects with overblown budgets and guarantee that only projects which represent the best combination of sustainability and cost effectiveness get financing.

Solution 4 - Strengthen climate mainstreaming

Finally, there is a clear need **for improved horizontal guidance from the Commission, and to clarify the positive duties on Managing Authorities to demonstrate how the social and environmental dimensions of sustainable development are being mainstreamed across all phases of programming though to project selection and implementation.** The existing safeguards in article 8 of the General Regulation on Cohesion Policy should be backed up by an ex-ante conditionality - where failure on the part of a Member State to demonstrate the institutional or procedural measures in place for sustainability proofing become grounds for suspension of funds. The Peoples Budget campaign, a cross sectoral civil society alliance on the post-2020 MFF, has developed additional policy recommendations for sustainability proofing.¹¹

Climate mainstreaming should be increased to 40% in the next EU Budget in order to be in line with the commitments of the Paris Agreement. However, it is not enough to increase levels of climate mainstreaming. It is vital to build in the methodological requirements to track and assess the impacts of high carbon infrastructure and other projects, and, as a key part of sustainability proofing, for the Commission to propose exclusions for fossil fuel related projects in the next MFF. Climate assessments should examine the life-cycle impacts of project categories within a programme.

The phasing out of fossil fuel subsidies at national and EU level should be an integral part of the 2030 climate and energy framework, with Cohesion Policy today still funding high carbon infrastructure including fossil fuels power generation, financing highways instead of sparking modal shift, and in some cases, supporting coal investments. It will be also essential to introduce the legal mechanics to exclude these harmful project categories that are simply incoherent with the EU's climate and sustainable development goals.

¹¹ [Introducing sustainability proofing into the next EU budget.](#)

Solution 5 - Performance reserve milestones to encourage higher ambition on clean energy transformation

Depending on the policy design, it may be necessary to consider incentives to encourage Member States to increase their climate ambition.

One option would be for the Commission to propose a set aside, or **performance reserve**, within the performance framework of Cohesion Policy, where a portion of funds would only be released where defined milestones were achieved. These milestones could be defined according to an increase in the number of prosumer or community-led RES and EE projects, progress on eradication of energy poverty, progress on energy efficiency, or similar criteria. It is important to make sure that they measure a country's progress vis-a-vis its own starting point, and not vis-a-vis the performance of other countries, to avoid a situation where countries that have been lagging behind anyway are outcompeted by the climate champions. Only this way will the EU funds incentivise action where it is most urgently needed.

This approach aligns with the idea signalled in the Reflection Paper on the Future of EU Finances – to allocate Cohesion Funds not only on the basis of GDP/GNI, but also based on the location of policy challenges, or to reward Member States for undertaking politically or economically costly reforms. Such milestones and performance reserve set aside for energy transformation hold high potential to help compensate for political cost in CEE countries and help drive higher ambition.

2. SPECIFIC NEW EX-ANTE CONDITIONALITIES NEEDED POST 2020

DG Regio's 7th Cohesion Report (2017) acknowledges the positive effects ex-ante conditionalities have had in urging, for example, swift and correct transposition of the Energy Performance in Buildings Directive in 2014. Particularly in the context of a performance-based budget, and the potential of a smaller but more impactful Cohesion Policy, the Commission will need to propose specific new ex-ante conditionalities within the next cycle of ESI Funds. In some cases, this will mean backing up key elements of the environmental, climate and energy *acquis*, and other new environmental and social policy legislation requiring transposition in the early years of the post 2020 programming period. We urge the Commission to consider the formulation of specific new conditionalities to fill gaps and force national policy attention to address key gaps hindering the effective spending of EU Funds towards the objectives laid out in Cohesion Policy. Finally, as an improvement of the current system, the law in the Common Provisions Regulation should be clarified to ensure the Commission retains power to suspend EU Funds if, after an ex-ante conditionality is in place, a Member State rolls back on it later in the programming period.

Addressing barriers to the people centered clean energy transformation

The following case studies from the Czech Republic and Poland illustrate the need for conditionality to force policy attention to a number of barriers hindering the effective public spending towards the Thematic Objective of decarbonisation and energy transformation. Specifically, it illustrates the case for EU intervention to help limit retroactive legislation destroying the investment environment for the renewables sector. Changes to feed in tariffs, sometimes even via retroactive legislation, and malfunctioning markets for certificate schemes significantly affect not only larger scale RES investments but also inhibit prosumers wishing to sell to the grid, as well as community power or off-grid projects wishing to sell wind, solar, or sustainable hydropower to their neighbours. The following cases from the Czech Republic and Poland are familiar in many countries in CEE and across the EU. Despite the limitations of the subsidiarity principle in EU law, conditionality on EU funds can make an important contribution to improving policy stability for RES at national level after 2020, and thereby support ambitious implementation of the new RES Directive.

Case study 3: Policy instability for solar investors in Czech Republic

There was a boom of solar panels in 2009 and 2010 in the Czech Republic. There were several reasons for such a high interest in solar panels but the key was that the technologies had gotten much cheaper and the guaranteed electricity price stayed on the relatively high level. As result, many big solar parks were built on fertile soil. In 2010 alone, the capacity of solar panels increased by 1000 MWh. Retroactively, the government took several steps to decrease the profit of speculators and four categories according to the size of the source were created to differentiate financial support. The categories were limited to 5, 30 and

100 kW. In addition, the target for solar panels was achieved thanks to the boom. In 2014, a backward step was taken to abolish the support was given to this technology for 2014 and the situation has not changed since. New solar panels owners cannot sell the electricity for a guaranteed price or get the financial support for clean energy they produce and consume/sell by themselves. This includes owners of small solar panels placed on the roofs. The situation is very similar for wind power, where financial support is also decreasing.

Case study 4: Regulatory barriers that stopped the development of wind in Poland

Before 2016, wind energy was the fastest-growing RES in Poland, rising from 83MW to 5800 MW between 2005 and 2016. However, in June 2016 a new law was passed under which new wind turbines can only be located within a distance of ten times their height from buildings and nature protection sites, and only in areas for which spatial development plans have been adopted. The new rules responded to a genuine problem, as in the past, wind farms were often built without any regard for noise protection and frequently sparked local protests. However, the new rules are so strict that they effectively ban the construction of new onshore wind farms – with Poland's dispersed and rather dense pattern of residential settlements, only around 0.1% of the country's territory remains eligible as wind farm location.

In late 2016, new tax rules for wind farms were also introduced, increasing the rates of real-estate tax on wind-farm approximately four-fold. The move undermined the profitability and business models of wind farms, already heavily strained by the persistently low price of the green certificates (tradable certificates awarded for each MWh of green energy generated as part of Poland's RES support scheme; the low prices were due to oversupply caused by the inclusion of coal and biomass co-firing into the support scheme). The change brought many of the small wind-farms to the verge of bankruptcy, forcing many owners to dismantle and sell their wind turbines. The Polish owners, many of them farmers, have been trying to cover the losses from proceeds from their agricultural activity, while foreign companies which had invested in wind generation are now suing Poland for damages in arbitration courts.

The government is currently considering reversing the tax rule change and easing the spatial planning constraints, but some of the damage may be irreparable. Even if the changes are reversed, it is unclear if the affected businesses will be compensated for the losses suffered and manage to avoid going out of business. Worse still, after the string of chaotic and ill-conceived regulatory changes (with no end in sight), investor trust will be extremely difficult to rebuild, especially since Poland still lacks an energy strategy and the signals coming from the government regarding the country's future energy policy are confusing and generally unfavourable to wind and solar.

Most wind investments in Poland in recent years have been financed with loans from the EIB and EBRD (which together lent around 3 billion PLN), and by various private banks (which lent around 6 billion PLN). Until recently, there was no financing for wind investments from the national EU funds operational programme (POIŚ): the government had decided not to announce any calls for proposals while they were working on the concept of energy clusters. The first call – for renewable generation capacity within business arrangements meeting the criteria of energy clusters – was announced only in July 2017. This has had two consequences: firstly, because the first national RES call was announced so late, Poland has so far under-utilised the RES financing available under the national operational programme. Secondly, funding has been offered only to clusters, excluding stand-alone RES investments, i.e. limiting the number of potential beneficiaries. The regional operational programmes, which finance smaller wind projects below 5 MW, did not set such obstacles but because of the regulatory problems discussed above, hardly any onshore wind projects got funded at the regional level.¹²

¹² Further reading in English: [The State of Wind Energy in Poland in 2016](#)

Making Cohesion Policy help the vulnerable - energy poverty

Cohesion Policy, and the EU budget as a whole, is largely lacking in targeted programmes or requirements to address energy poverty. EU funding instruments need to force policy attention to address the 50 million Europeans living in energy poverty, and help support the stronger requirements under the new proposed Energy Efficiency Directive. The following case study from Hungary illustrates the risk that EU funds for energy efficiency schemes are inadvertently increasing inequality and social exclusion due to the setting of co-financing rates for loan schemes that are unaffordable for low income families. Moreover, the diversion of EU funds initially programmed to benefit citizens away from the residential sector mid way through the programming period - undermining investor certainty, and leaving thousands of homes cold in the winter.

Case Study 5: Hungary's diverting of Cohesion Policy funds away from residential energy efficiency. Lack of policy attention to energy poverty, and risk of increasing inequalities through unaffordable loan schemes using EU funds.

In the previous programming period there were no EU Funds available for the 2.7 million Hungarian households that are in bad need to make their homes more energy efficient. In the current MFF period, the Hungarian government retracted the HUF 90 billion originally allocated to non-refundable renovations of residential buildings (in the Environment and Energy Operational Program), and reallocated these funds so they are only available for governmental buildings in order to reduce the expenses of the state.

The reshuffling modifications - submitted only in 2016 - were questioned by the EC (DG Regio) and led to more rounds of negotiations between the EC and the government. The Energy Efficiency Institute (MEHI) with partners and national green NGOs like MTVSZ (as green NGO delegate in the Environment and Energy Operational Program Monitoring Committee) tried to prevent the modification and argued against it based on valid economic, social and policy concerns. The government, however, resorted to mixed or mis-communications, e.g. claiming that Brussels did not allow such a financing structure for private household investments, although it was possible via an intermediary. Instead, from 2016 a loan was designed for energy efficiency and/or RES investments for family houses and blocks of flats. MTVSZ, MEHI and other national stakeholders gave inputs to it and made recommendations to ensure a wider access for the energy poor. The interest-free loan combines EU Funds (GINOP, refundable) with a 10% own contribution, with max. 20 years payback time. It runs since April 2017 and is still targeted at middle-income households, and is not in practice accessible for low income families or vulnerable citizens.

Based on analysis of these and other case studies illustrating systemic problems in the CEE region and beyond, 3 specific new ex-ante conditionalities are proposed for the energy sector as follows.

Solution 1 - New ex-ante conditionality on a Renewable Energies Investment Environment Test

Arrangements should be introduced for requiring a regularly updated identification of the impact of national legislation and policies, including in MFF programming, on RES and EE investment. The test should also assess impacts of national policies and legislation on prosumers wishing to generate, store, or sell their own renewable energy, and be accompanied by planned policy measures to mitigate negative impacts on affected categories of investors.

Solution 2 - New ex-ante conditionality on Energy Poverty Action Plans

Requirements should be introduced for Member States to adopt Energy Poverty Action Plans. Such plans should contain a needs analysis of housing stock identified as at risk of energy poverty, and lay down measures to address this problem, including through the use of EU funds for grants for thermal renovation and installation of small scale RES to vulnerable households and communities, the setting of affordable levels of co-financing for loan schemes to low to middle income families, and fairer eligibility for households, including single family dwellings, to benefit from EU funded schemes.

Solution 3 - New ex-ante conditionality on NECPs and Strategic Policy Frameworks

A requirement should be introduced for Member States to have National Climate and Energy Plans in place, accompanied by Strategic Policy Frameworks, to ensure that EU funds contribute to the achievement of defined milestones and criteria from National Climate and Energy Plans. The strategic policy framework should also be accompanied by national measures put in place to remove barriers for energy citizens, and set national goals for an increase in the amount of citizens and communities generating their own RES by the end of the next programming period.

Solution 4 - New ex-ante conditionality on enforceability of the Code of Conduct on Partnership (ECCP)

The role of the partnership principle must be expanded in the post 2020 Cohesion Policy. As described above, one part of this is the need to make it enforceable at both operational programme level and project level. Regarding the former, the key elements of the Code of Conduct, including but not limited to having measures in place to ensure the timely access to information and early and meaningful involvement of local stakeholders and citizens, should be

turned into an ex-ante conditionality and added to the legal grounds for suspension of EU funds where systemic failings to abide by the ECCP are evident.

Based on our Code of Conduct implementation analysis in CEE¹³, in order to improve partnership and fully realise the benefits of efficient public participation, further guidances and mandates are needed for the Managing Authorities to enable timely access to all relevant information, to involve NGO delegates better in strategic discussions and decision-making processes, and to increase the capacity of stakeholders.

The areas for improvement include: 1. Early and proactive involvement of partners, including NGO, in the preparation of the national programming documents as well as calls for proposals. 2. Requiring Managing Authorities to better involve NGO partners in the assessment of proposals, especially regarding the horizontal integration of sustainability at project-selection phase. 3. Stronger language regarding balance and composition of NGO delegates in Monitoring Committees to make sure that social partners have real power to influence decisions; and 4. Specific provision to better support the partners' capacity building, including more detailed – and possibly more financial framework-type - provisions for access to technical assistance for NGOs. Such support could take the form of better accessibility of external expert assistance, establishment of permanent Monitoring Committee Secretariats independent financially and organisationally of the Managing Authorities, and, possibly, a mechanism to pay out per diems to those Committee members who work there in addition to their normal duties. The European Commission (DG Regio) could also consider a financing framework for national watchdog experts from the technical assistance.

As stated before, implementation of those strengthened partnership provisions should be made an ex-ante conditionality.

Case study 6: How inadequate participation and monitoring of EU funding was tackled in Slovakia

Beneficiaries of the EU finances are usually not consulted properly in the CEE countries, which leads to slower contracting, repeated calls of proposals and less efficient attainment of the Cohesion Policy objectives. Moreover, civil society representatives often work voluntarily on monitoring and improving EU funds spending, which increases pressure on their health, families and paid duties. In Slovakia, a project by the Office of government plenipotentiary for civil society development, financed from Technical assistance (TA) funds, started in March 2017 to address these issues.

Complex analyses and evaluations of the current approaches and processes of partner involvement in ESIF management and monitoring led to designing and testing specific tools and activities to increase participation and partnership within three key management processes:

1. *Participatory creation of calls for proposals – cooperation and emerging partnerships:*
 - a. *Implementing participatory preparation of calls for proposals by involving beneficiaries into discussions;*

¹³ [2017 Report on European Code of Conduct on Partnership implementation in CEE countries](#)

- b. *Encouraging cooperation between the Ministry implementing environmental awareness raising project and NGOs doing similar activities;*
 - c. *Setting ground support for social business models;*
 - d. *Bringing positive experience with global granting schemes to get finances closer to the beneficiary;*
 - e. *Addressing topics such as in-kind co-financing, conflict of interest in participation, strengthening the role of regional Information counselling centres.*
2. *Access to information and introduction of communication tools aimed at public and beneficiaries:*
- a. *Discussing calls for proposals with potential beneficiaries at regional info-events;*
 - b. *Cooperation with MAs to increase information accessibility and understandability;*
 - c. *Connecting public procurement and watchdog experts with MAs;*
 - d. *Transferring good practice from Swiss and Norwegian financial mechanisms.*
3. *Evaluating the efficiency of the ESIF monitoring system:*
- a. *Survey on role of Monitoring committees in EU funds implementation;*
 - b. *Clarifying state aid issues to support social enterprises and services.*
- These mechanisms are replicable and could set the model for strengthening partnership in the future Cohesion Policy.*

3. FACILITATING ACCESS TO FINANCE FOR PROSUMERS AND COMMUNITY-LED ENERGY PROJECTS

Energy citizens and community-led energy projects need easier access to finance and tailored Technical Assistance arrangements

The Winter Package contains proposal for landmark rights that would help advance energy democracy and the people centered clean energy transformation by granting citizens and communities rights to generate, store, or sell their own renewable energy. Making this vision of energy citizens reality will have positive impacts way beyond the energy sector: in the social dimension, it will ensure more even distribution of the benefits of the ongoing energy transition, and will empower local communities making them more self-reliant.¹⁴

A recent report by CE Delft¹⁵ showed that over 112 million ‘energy citizens’ could meet 19 percent of Europe’s electricity demand by 2030, rising to as much as 45 per cent of the demand and over 264 million ‘energy citizens’ (half of all EU citizens) by 2050. Analysis shows that it will be vital for Cohesion Policy in the next EU budget to backup these rights by targeted financing and incentivising removal of national barriers. Without this, it is clear that the vision of putting energy citizens and the heart of the clean energy transformation will not materialise in many Member States.

The Commission acknowledges¹⁶ that the majority of investments in the clean energy transformation over the next decade will have to be made by a constellation of local actors: including renewable energy cooperatives, ‘prosumer’ citizens, and local authorities. However, all of these actors face challenges that limit their potential to invest in renewable energy generation and energy efficiency at the scale needed.

Cooperatives, municipalities and charities wishing to generate and/or sell renewable energy or make energy efficiency improvements face significant challenges accessing finance. Experience on the ground makes clear that traditional banks can be reluctant to grant loans to such actors who may not have the normal track record, or because Banks are unaccustomed to assessing risk of community power projects with collective ownership and, in the case of coops wishing to sell to the grid, uncertain returns particularly in regions subject to unstable policy frameworks for feed in tariffs or other support schemes. Grants for RES and EE investment tailored to the socially vulnerable, or loan schemes tailored to the needs of community power projects based on cooperative models instead of selling to the grid, are absent from the programmes and thematic objectives of ESI funds and the MFF in general.

¹⁴ Good practice examples are highlighted in story format on the [PeoplesBudget campaign website](#).

¹⁵ CE Delft, [The potential of energy citizens in the European Union](#)

¹⁶ European Commission, [Clean Energy for All Europeans](#)

Apart from barriers in access to finance, local communities often face difficulties at an earlier stage - when they design and develop their projects. Unlike large, corporate investors, they often do not have the technical, legal and financial expertise needed to select the best technological solution, navigate the applicable legislation (especially in countries with unstable regulatory frameworks), and make a robust business plan. They may also not be aware of innovative solutions such as revolving funds or the ESCO model, or reluctant to risk investing in untested solutions. The future Cohesion Policy should address those difficulties by creating special technical assistance arrangements for prosumer and community-led energy projects.

Without EU intervention to facilitate improved and more equitable access to finance, greater inequality will grow amongst citizens wishing to reap the multiple benefits of RES generation and energy efficiency improvements.

Case study 7: Priority for energy clusters in Poland excludes prosumers from EU Funds operational programmes.

The 2016 RES Bill introduced a dedicated formula for distributed energy generation in Poland, known as energy clusters. Clusters are groupings of companies, individuals, municipalities and/or academic institutions who sign a business contract to jointly generate energy (RES and fossil), balance capacity, trade and/or distribute energy. The aim of clusters is to ensure local energy security, integrate renewables and improve air quality. They assume at least some degree of energy self-sufficiency and at first sight might look like a reasonable solution for community energy. However, because of the various restrictions imposed on prosumers under Poland's current legislative framework, they are much more likely to be simply business arrangements involving bigger, corporate players, with only a marginal role for individual prosumers. Also, it has been argued that as they are designed, the clusters bring the greatest financial benefits to the DSOs involved, while offering nothing to small, neighbourhood-based energy communities. In the context of the clusters, it is important to note that the funding earmarked for renewable generation in Poland's national EU funds operational programme have been reserved exclusively for RES generation within clusters. That means RES installations bigger than 2 MW (5 MW in the case of biomass), which are not eligible for support under the regional operational programmes, can only benefit from EU funds if they are part of clusters. The government has also suggested that once grants have been distributed to clusters, the remainder of the RES envelope in the national operational programme will be re-allocated to other objectives, most likely grid development.

Case study 8: Banks unfamiliar with loans to NGOs for community power (Czech Republic)

Examples from the ground illustrate the difficulties accessing finance for RES faced not only by individuals, but also by NGOs and charities. To select one indicative project - Marek Černocký decided to invest in a community RES project as a way to create a finance stream for his educational charity. A small hydro power plant seemed to be the ideal tool for it. In 2001, he chose a place on the river Elbe that already had a weir from 1974 but no power plant. After arranging the project design and ensuring its viability he founded the non-governmental organisation Energeia to realise it.

The next step was secure financing for the project with almost CZK 1 billion (EUR 38.4 million) needed for the investment. By 2014, he collected enough private donations to cover ten percent of the whole sum. EU funding (from European Structural and Investment funds) contributed another CZK 250 million (EUR 9.6 million). A loan was needed to allow his NGO to cover the rest, but the banks did not believe that an NGO could launch and run such a project. Years later, Marek managed to launch a pilot, and by that stage, banks trusted in the project's feasibility but they still did not know how to arrange a loan for such a big investment made by an NGO. They consulted lawyers and financial experts in order to create a new scheme for financing projects of NGOs.

The full story can be read here:

<http://www.peoplesbudget.eu/renewable-financing-for-charities>

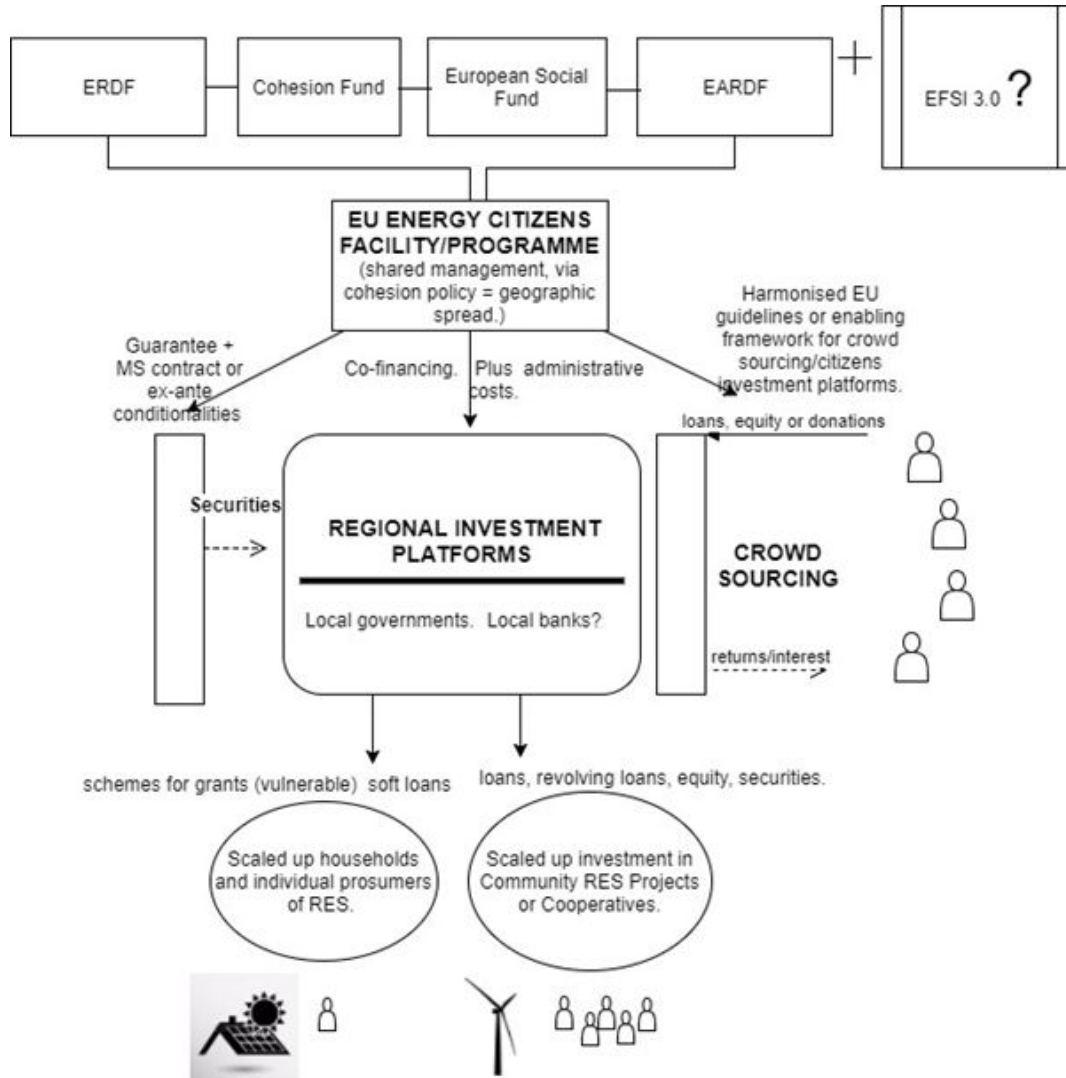
Case study 9: No guaranteed price for solar and capacity thresholds for individuals generating solar PV RES reduce incentives to invest (Czech Republic).

After the solar boom and the variety of problems (see case study above), no more public support was given to solar PV since 2014. New solar panel owners cannot sell the electricity for a guaranteed price or get the financial support for clean energy they produce and consume/sell by themselves. The same applies to small solar panels placed on the roofs. But the Czech Republic is still far from using all its solar potential on the roofs. The only way how to build a solar panel which will be financially viable is to get it funded by a grant. Recently, there are new programmes offering such a support for individuals, small companies and municipalities, yet the scale of these is hugely insufficient, especially when compared against the considerable potential for rooftop PV in Czech.¹⁷

In case of individuals the solar panels cannot be bigger than 10 kW which operates as a disincentive and, for example, this capacity threshold is too small in case the prosumer uses an electric car.

¹⁷ Study in Czech language: [PV potential in Czech Republic](#).

Solution 1 - Innovating in Cohesion Policy and EFSI 3.0 - Targeted Programme to Unlock and Scale up Innovative Financing for prosumer and community energy projects



How would it work?

The diagram above, and the description that follows provide a sketch of possible key policy mechanics. The creation of a targeted financing programme for energy citizens within the MFF should not only pool together funds and establish local or regional investment platforms (ideally at the local level with a strong role for local authorities in their administration), but should also create an enabling framework for crowdsourcing to expand the capital pool and build the strongest sense of ownership by citizens in the clean energy transformation.

These local or regional investment platforms, which could interact with other types of innovative funding (such as crowdfunding, local revolving funds etc.), would be in a suitable position to help aggregate small-scale projects contributing to fostering energy citizens. Among local and regional authorities, EU-supported integrated “Transition agencies” (i.e. an upgrade of local and regional energy agencies created under the European SAVE programme) can be tasked with managing these local or regional investment platforms.

Another important design consideration is de-risking. In addition to pooling funds and projects together, and establishing the technical and administrative requirements, the role of the EU in the energy citizens facility could also extend to providing securities as one category of financial product. Here, a portion of EU Funds within the programme could be set aside to create guarantees to ensure a period of minimum return for investors benefiting from the Programme in the event the project failed, or to help shift risk deriving from unstable energy prices. Securities would be especially important in helping prosumers obtain loans from local banks.

User friendly and transparent flow of information to citizens and other would-be investors is also an important part of derisking. Project successes, returns, risk assessment, as well as the social and environmental benefits from successfully launched projects must be made easily accessible. Most operational programmes today are far away from having the sort of user friendly online applications necessary to encourage investors and to build confidence among EU citizens that EU money is being well-spent.

The Energy Citizens Facility should be grafted within the framework of Cohesion Policy and shared management. An interactive role with EFSI 3.0 could also be envisaged (‘blending’), with allocation of funds through Cohesion Policy helping ensure the fair geographic spread that has been sorely missing in the portfolio of the Juncker Plan thus far. If the allocation of Cohesion Policy funds evolves to be partially based on the location of policy challenges, like social inclusion and decarbonisation, not merely GNI or GDP, then the amount of EU funds available to seed and establish the regional investment platforms for the Energy Citizens Facility could also be split on the basis of those regions most at risk of lock in to high carbon pathways.

Solution 2 - Dedicated technical assistance funds and arrangements for prosumers and community energy projects

To address the difficulties faced by prospective energy citizens and local communities in developing their projects, the future Cohesion Policy should include special provisions for technical assistance tailored to the specific needs of prosumer and community-led energy projects. Such technical assistance should focus providing technical, legal and financial

consultancy to help inexperienced and non-professional local communities develop robust projects free of unnecessary risks. It should also promote and explain innovative solutions such as the ESCO model or revolving funds for energy efficiency. Such technical assistance should be delivered close to where the potential beneficiaries are - one potential solution would be to fund and train local-level community energy advisors embedded in town halls and municipality offices - because in order to work, the technical assistance has to be readily accessible and proactively promoted.

Solution 3 - Dedicated funding envelope / thematic objective for prosumer and community energy projects

Another way to promote community energy and prosumers would be to create a separate funding envelope/thematic objective in every country's national allocation, dedicated solely to prosumer support and community-owned energy projects (complete with clear definitions of prosumers and community ownership). To give an extra boost to prosumer and community energy projects, and encourage the Member States to make the most of this category of funding, the Commission could propose more generous co-financing rates for other programmes within Cohesion Policy (or the MFF more broadly).

The Commission might also consider imposing a requirement on Managing Authorities to award higher scores to prosumer and community-led projects applying for funding under the 'regular' energy competitions - this would help ensure equal opportunities for projects which often have more positive social impacts (by stimulating local democracy, lending an impulse to the local economy, boosting household incomes, etc.) but their promoters, who are often first-time investors, lack the expertise to compete with larger, professional entities.

Solution 4 - Tackle energy poverty by expanding FEAD and modifying its mandate

Finally, the next EU budget should also contain provisions to help the most vulnerable members of communities, including people affected by energy poverty. They should be able to benefit from a greatly expanded EU fund for Assistance for the Most Deprived (FEAD). The Fund's budget should be increased and providing assistance to those in energy poverty should be explicitly made one of its objectives.

Final note: Ensuring strong participatory elements and local ownership

Strong safeguards and criteria need to ensure local ownership and prevent corporate capture

The measures proposed under this heading Energy Citizens Facility/Programme should ensure, and only support, projects with local ownership. Criteria for this should be included within the legislation governing the programme (for example, within the Common Provisions Regulation, or delegated act giving rise to the Energy Citizens Facility). Complementarity with Community Led Local Development spending tools (currently underused within ESI Funds) should allow local action groups wishing to implement renewable energy projects to benefit from the local investment platforms, and financial products, facilitated by the Energy Citizens Facility.



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