

From NOwnership to Ownership:

How to Define and Promote Local and Inclusive Citizen Ownership in Renewable Energy Projects

Policy Insights:

For the development and implementation of effective policies, laws and planning practices that could enhance participation and local acceptance of new energy projects, this policy brief gives insights on how to:

- Get acquainted with the **diverse types of citizen ownership** and differentiate between local and inclusive types of citizen ownership and others.
- Facilitate high levels of local and inclusive citizen ownership in **onshore and nearshore wind and solar projects**.
- Focus on fair distribution of benefits, by considering **the percentage of the project** that is locally owned as well as **the percentage of local residents** who (directly or indirectly) own the project.
- Ensure the inclusivity of local citizen ownership models, by promoting company **boards that are carefully formed** to guarantee proper attention to the interests of consumers and the local community.

Summary / Key Themes and Terminology:

- **Citizen ownership** has been associated with several benefits that can support a timely and just energy transition in the EU. However, it is important to understand that citizen ownership is very diverse and that different types of citizen ownership deliver different benefits.
- **Local opposition** to new renewable energy projects is one of the major obstacles in the energy transition. This issue **can be addressed through local and inclusive citizen ownership**.
- **High costs** is in many cases a major obstacle to the green transition process. In the case of natural monopolies, such as electricity distribution and district heating grids, this may be addressed through **non-profit, local and inclusive citizen ownership**.
- Local and inclusive citizen ownership entails: (1) **participatory local planning processes** where citizens hold decision power **and** (2) a broad **distribution of the project benefits** between the local residents and other community members.

Policy Context

Citizens' empowerment and participation in renewable energy projects and the energy transition are considered crucial by the EU in meeting its energy targets. This is also expressed by the Clean Energy Package. More specifically, the new EU Renewable Energy Directive and Electricity Market Directive include specific provisions for "renewable energy communities" and "citizen energy communities" that aim to promote the active participation of citizens in the energy sector. Before July 2021, all EU Member States have to implement these provisions into national legislation. However, despite the provisions of the Directives, there is still lack of general consensus on: the concept of citizen ownership, how it can be implemented and which benefits different ownership models can or cannot provide. Therefore, there is a risk to implement ineffective policies, laws and planning practices if these issues and concepts are not addressed or understood.

Understanding "Ownership" and "Citizen Ownership"

Ownership may refer to the "ownership of the process" and/or the "ownership of the outcome". The former relates to involvement in the decision-making process and the power to influence the decisions. The latter, to the ownership of energy companies and the distribution of economic benefits.

Citizen ownership of energy ventures presents an alternative to the traditional (distant and centralised) energy companies, whether private or state-owned. Citizen ownership may adopt multiple forms; for example, as a renewable electricity generation cooperative, consumer cooperative, municipal energy company, non-profit organisation, etc. (see the figure on the next page for more examples) [1].

Citizen ownership has often been associated with small-scale projects. However, as the example of Denmark and other countries show, **it can also deliver utility-scale energy projects** [1].

Citizen ownership may provide several benefits for a timely and just energy transition in the EU: enhanced local acceptance of new energy infrastructure, new sources of capital to implement the necessary investments, regeneration of the local economy, affordable energy prices for consumers, more effective price control in natural monopolies, potential for reducing transaction costs related to the coordination of demand side and supply side investments, etc. [2], [3]. However, not all citizen ownership models deliver or realise all of the benefits normally associated to citizen ownership [2]. Therefore, it is important to notice that several forms of citizen ownership exist and to understand what key characteristics are necessary to be present to realise the desired benefits or results.

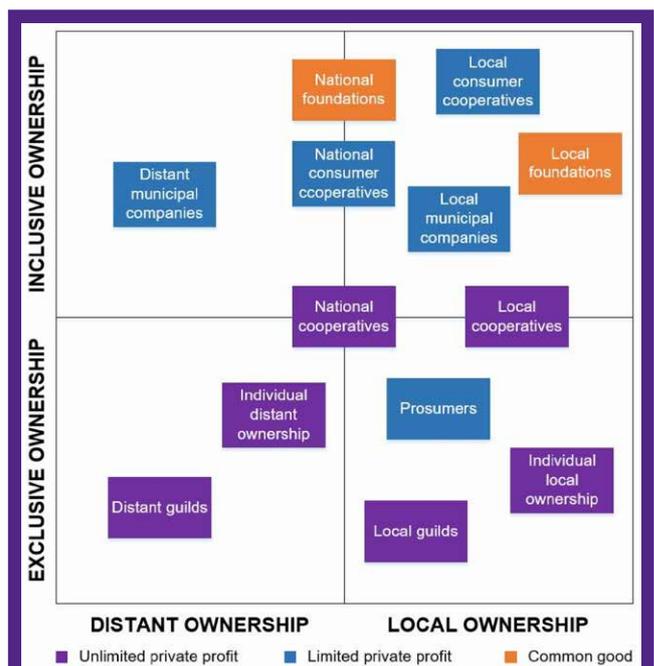
Local and Inclusive Citizen Ownership for Local Acceptance and Participation

Multiple types of citizen ownership exist. However, only local and inclusive forms of citizen ownership have shown the ability to enhance local acceptance of new renewable energy projects [2]. Local and inclusive citizen ownership entails: (1) **participatory local planning processes** where citizens hold decision power and (2) a broad **distribution of the project benefits** between the local residents and other community members.

It is important to pay special attention to the following considerations with regard to local and inclusive citizen ownership:

- **Inclusiveness starts with the planning process.** Several studies have identified the need for early involvement of the local community in the planning process of renewable energy projects in order to enhance local acceptance. Furthermore, transparency and decision-making power in the process can be fundamental. See [4] for 11 recommendations on how to improve the planning process to enhance local acceptance of renewable energy projects.
- **Inclusiveness is important in every project.** In line with the Dutch strategy, 50% of the ownership of onshore and nearshore wind and solar energy projects could be made available at cost price for local and inclusive citizen initiatives in order to promote a fair distribution of negative impacts and benefits in the local community.
- **Collective is not a synonym of inclusive.** More than 60% of the wind companies with collective citizen ownership in Denmark have five members or less [5]. This means that the decision-power and benefits are limited to a small number of people. This can create a perception of unfair balance in the distribution of negative impacts and benefits, leading to local opposition [1]. In this sense, it is relevant to ask what percentage of a given project is owned by local residents as well as what percentage of the local residents are involved in the ownership of the project; in other words, to focus on inclusiveness rather than on (collective) localism.

→ **Not all citizens have the economic and social resources to invest in shares, which automatically excludes a part of the local residents.** Therefore, the open ownership of renewable electricity generation cooperatives is not completely inclusive as indicated in the figure below (see “local cooperative” and “national cooperative”). Local consumer cooperatives, local municipal companies and local foundations/trusts are seen as the most locally inclusive citizen ownership models. To ensure the inclusivity of these models, it is important that the boards of the companies or the non-profit organisations are formed carefully to guarantee proper attention to the interests of consumers and the local community. A broad representation of the relevant local actors in the board and annual or bi-annual elections to select board members based on local citizens’/consumers’ votes are recommendable to ensure inclusive ownership.



“Inclusive ownership” is that in which all citizens within a predetermined geographical area have an equal opportunity to benefit from the energy project; this may be the result of open ownership (as shareholder or as consumer with direct or delegated decision power) or spread distribution of profits through financing of development projects (e.g. via local foundations/trusts).

“Exclusive ownership” is that in which the project promoter(s) decide(s) to keep the possibility to benefit within a selected group of people, excluding the rest of the community or society from the ownership. The benefits mentioned here omit environmental protection and all derived benefits as these are inherent to the technology and independent of ownership.

References

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