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OVERVIEW OF THE POLICY FRAMEWORK

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DISCLAIMER

The content of this document aims to establish an overview of the national legal developments in the context of the Clean Energy Package for the Member State mentioned above. The document includes only final legislation which was published before the end of March 2023. It does not include provisions that are not yet applicable under law (i.e., currently drafted or discussed).

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Overview

As early as February 2021, Luxembourg developed a framework for Renewable Energy Communities (RECs) as an initiative to self-consume collectively and share electricity within a restricted geographical perimeter. Despite the framework in place, there are few renewable energy communities in Luxembourg. A revision of the framework is expected to be published in 2023, including updated definitions and new rules for energy communities.

1. Definitions

Luxembourg has developed one definition for Renewable Energy Communities (RECs). In addition, a pre-existing concept of energy cooperative was used to support citizen engagement in solar photovoltaic (PV) projects.

1.1. Renewable Energy Community

The definition of REC was inserted in the Act on the Organisation of the Electricity Market (AOEM) with the amending Act of February 2021.

A REC is a legal person whose members or shareholders are natural persons, SMEs or local authorities, including municipalities, and who are network users whose injection and off-take points are located in the same geographical area, at the downstream of high or medium voltage to low voltage electricity transformation stations operated by the distribution system operator (DSO). The existence of a REC does not prevent the DSO from making changes to the topology of its distribution network, even when such a modification necessitates changes in the composition of the community in question.[1]

Participation in a REC as a member or shareholder is voluntary and does not go against rights and obligations as final consumer.[2]

The primary objective of a REC is to provide environmental, economic or social benefits to its shareholders or members or to the local territories where it operates rather than to seek profit.[3]

1.2. Alternative definitions

A photovoltaic producer can benefit from an increased feed-in tariff if it takes the form of a cooperative or civil society composed of at least seven people who must be natural persons, non-profit associations or foundations. Those are often referred to as "energy cooperatives".

[1] Definition 7a of the AOEM
[2] Article 8quarter (2) of the AOEM
[3] Article 8quater (3) of the AOEM

2. Rights and obligations of RECs

Participation as a member or shareholder is voluntary and does not compromise the rights and obligations of final customers. The statutes of REC must clearly define the modalities of functioning, entry and exit for the members. Members and shareholders must be allowed to exit the community within one year of giving notice. In addition, REC members are free to choose a supplier individually.[4]

RECs can produce, consume, store and sell the renewable energy produced by their own production units, including through renewable power purchase agreements.[5]

A REC can share, within its community, the renewable energy produced by the production units owned by the REC. The National Regulatory Agency (the NRA, namely the Institut Luxembourgeois de la Regulation) and the DSO – after consultation with the relevant stakeholders – define the electricity-sharing models.[6] Differently from traditional collective self-consumption, the REC can freely define its allocation key, which can be static or dynamic, for the energy shared with its members.[7] In the default option, the sharing of electricity produced is carried out following one or more steps on the allocation keys based on priority, percentage or on a pro rate basis to be chosen by the REC.

By exemption, the sharing key can be fully dynamic and is described in the convention signed with the DSO. When the REC determines the allocation itself, it should comply with the rules established by the NRA. A service provider can manage the electricity sharing on behalf of the REC, provided that the service provider is not a member of the REC.

The DSO is responsible for collecting data on the energy taken from the grid but also consumed, produced and shared. It shares this data with the REC and the suppliers. A report is due by the DSO (or the REC if it establishes its own allocation key) to specify the energy balance with a 15-minute granularity according to the allocation key.[8] The report is shared at least monthly with the other parties, namely the REC (or the DSO) and the suppliers. A REC has access to all relevant energy markets directly or by aggregation in a non-discriminatory manner.[9]

The creation or dissolution of the REC must be notified to the NRA and DSO before it happens.[10]

[4] Article 8quater (7) of the AOEM
[5] Article 8quater (1) a) of the AOEM
[6] Article 8quater (5) of the AOEM
[7] Regulation ILR/E21/32 of 20 September 2021
[8] Article 8 quater (10) of the AOEM
[9] Article 8 quarter (1) c) of the AOEM
[10] Article 8 quarter (11) of the AOEM

3. Enabling framework for RECs

The electricity surplus can be sold by one of the members' suppliers or via a common supplier if the statutes of the REC provide for it. The electricity surplus can also be sold through PPAs by the REC if it complies with its balancing responsibilities directly or through a third party.

The REC must sign a convention with the DSO based on the template approved by the NRA. The convention, to be updated at every change, includes the identity and address of the members, the production facilities used, and the allocation key. Moreover, the REC needs to send the list of production units and report on the shared energy allocation every year to the DSO, NRA and its members' suppliers.

The DSO must set up a digital platform allowing RECs to access its members' consumption and production data and allocate the shared energy. The REC must report via the same platform the shared energy distribution monthly.

Energy sharing should be done without prejudice to grid access, grid tariffs, fees, levies and taxes applicable to each member of the REC. No taxes or levies are applied on self-consumption or locally shared electricity. Moreover, RECs are eligible for a feed-in tariff for surplus generation (when the systems include a contract with suppliers).

4. Access to financing and support

Klima Agence plays the role of advising citizens acting individually or collectively to produce and share electricity. In October 2022, the Government announced an investment aid scheme of 30 million euros to support investment costs of installing solar PV on buildings, for self-consumption and by energy communities.[11]

According to the Klima Agence website,[12] two alternative support schemes are designed for energy sharing:

1. An investment support of 20% followed by a feed-in tariff for the surplus of production; or
2. An investment support of up to 50% at the beginning of the project.

A temporary derogation has been put in place in Winter 2022. The financial support for solar photovoltaic (PV) installations, including those operated in self-consumption or within the framework of an energy community, is generally capped at 50% of the effective costs. This ceiling is temporarily raised to 62.5% of the effective costs for investments relating to PV installations operated in self-consumption mode or as part of an energy community that simultaneously meets the following conditions:

1. The order date is between 1 January 2023 and 31 December 2023; and
2. The invoice is established no later than 31 December 2025.[13]

[11] https://guichet.public.lu/en/entreprises/financement-aides/aides-environnement/appel-projets-photovoltaique/appel-photovoltaique-aides-investissements.html
[12] https://www.klima-agence.lu/fr/avantages-production-electricite
[13] Article 2 of the Act of 23 December 2022

Revised support schemes and new tenders are expected to be published in 2023.

5. Other provisions

Cooperatives and civil enterprises composed of at least 7 members, which are no-profit associations, natural persons and foundations, are eligible for a higher feed-in tariff when producing electricity from PV units.[14] The feed-in tariff for PV installations between 30 and 500 kWp that are owned by energy cooperatives and civil enterprises is increased (until 200 kWp) and preserved (200-500 kWp). The threshold for benefitting from a support scheme is higher for energy cooperatives and civic societies (500 kWp instead of 200 kWp).

The Klima Agence provides necessary information on support schemes and collectively producing energy. A toolbox provided by the Agency supports the development of energy cooperatives and civil enterprises, including templates of statutes.

References

- Act on the organization of the electricity market off 1 August 2007, as amended by the Act of 3 February 2021. Amendment: https://legilux.public.lu/eli/etat/leg/loi/2021/02/03/a94/jo
- Act of 23 December 2022 amending the law of 23 December 2016 establishing an aid scheme for the promotion of sustainability, the rational use of energy and renewable energies in the field of housing. Act: https://www.legilux.public.lu/eli/etat/leg/loi/2022/12/23/a694/jo
- Grand-Ducal Regulation of 1 August 2014 relating to electricity production based on renewable energy sources and its following amendments of 26 July 2016 and 24 April 2017. Original version and amendments: https://www.legilux.public.lu/eli/etat/leg/rgd/2014/08/01/n1/jo
- Regulation ILR/E21/32 of 20 September 2021 establishing the static and simple distribution model for sharing electricity.
  Regulation: https://www.legilux.public.lu/eli/etat/leg/rilr/2021/09/20/a689/jo
- Decision ILR/E21/38 of 20 October 2021 approving the Model Convention for renewable energy communities. Decision and model convention: https://assets.ilr.lu/energie/Documents/ILRLU-1685561960-924.pdf / https://assets.ilr.lu/energie/Documents/ILRLU-1685561960-927.pdf

[14] Article 17ter of the Order on electricity produced from renewable energy sources of 8 August 2014