



## Recommendations and measures to encourage the development of energy cooperatives in the Republic of Croatia

This document was created as a result of the conference *Islands with 100% Renewable Energy: The Importance of Including the Local Population through Energy Cooperatives* which took place from 17- 19 October 2013 on the island Krk, organized by UNDP Croatia and REScoop 20-20-20 project

### 1. Tax exemption on the cooperative's reinvested profit and all profits which members leave for the cooperative (cooperative property)

According to the Croatian law on cooperatives: after expense coverage, cooperatives are required to set aside a mandatory 30% of profits for the development of cooperatives. In addition, each member of the cooperative may decide to not have their share of the profit paid out to them at the end of the year. If so, their amount will be left to the cooperative as cooperative property but will be recorded as the member's additional stake. Hence, cooperatives create indivisible cooperative property, which is made available for future cooperative members living in the local community. In other words, cooperatives have a positive effect on the development of communities and accordingly this part of the profit should not be taxed. At the same time, all economic entities, except cooperatives, are exempt from income tax if they have reinvested.

### 2. Granting the rights to the local communities to own shares in RES projects (based on good practice from Denmark and Wallonia)

For RES projects worth more than 300.000 EUR, a minimum 20% stake in a publicly advertised bid in the project is offered to individuals who have a registered place of residence distanced no more than 20km from the plant or a registered place of residence in the municipality within which the plant is being built. Bids will be advertised in local newspapers, based on submitted project documentation including the business

plan with a clearly defined and anticipated return on investment, as well as all other relevant data.

**3. Providing a quota for RES projects owned by energy cooperatives (based on good practice from Scotland where 500 MW quota is reserved for wind energy projects owned by local community)**

For RES projects co-financed with a minimum of 60% by members and natural persons (affiliated to an energy cooperative), a specific quota for each technology's installed capacity needs to be provided (100 MW for wind, 50 MW for photovoltaics, 50 MW for biomass and biogas). Providing a specific quota for projects co-financed by individuals accelerates and facilitates the procedure for obtaining the status of preferential electricity producer.

**4. Providing quotas for integrated photovoltaic small power plants owned by natural or legal person**

Provide specific quotas for projects dealing with integrated photovoltaic plants up to 30 kW, provided that the project is owned by a natural or legal person and is developed on site where the owner (natural or legal person) is registered.

**5. Exempt from the connection fee and the priority to connect to the grid (based on good practice in Denmark)**

Plants producing electricity from renewable energy cooperatives must have priority connection to the grid, and be exempt from paying the connection fee.

**6. Allowing the construction of wind farms on the islands, with specific restrictions**

Allowing wind farms to be constructed on the islands under the same conditions that apply on land, and compliance with strict environmental and landscape rules (environmental impact study). The islands are the territory of the Republic of Croatia and deserve to have the same terms and conditions applied. The construction of wind farms on the islands leads to the creation of a new business, new job positions and ensures the development of the local island economy.

**7. Pre-emption rights of local communities in the sale of public/private utilities (based on the experience from local utility company „Ponikve“, Island of Krk, Croatia)**

Upon sale/privatization of public or private utility companies, the local communities (citizens) are given the right of first refusal to cede ownership.

**8. Capacity building and networking of local and national organizations that systematically operate in the development of cooperatives (the Ministry of Business and Trade, the Croatian Agency for Small Business and Investments (HAMAG INVEST) and the Croatian Association of Cooperatives)**

A professional team that works systematically on the development of energy cooperatives and coordinates the enactment of legislation, promotional and educational campaigns and implements the development strategy of cooperatives in Croatia. Additional subsequent establishment of regional offices should be foreseen.

**9. The adoption of a national strategy to increase the participation of natural persons in the ownership of RES projects (based on the good practice in Denmark and Germany where more than 70% and 50% respectively, of RES are owned by citizens)**

It is necessary to develop a strategy for increasing the participation of natural persons in the ownership of RES projects in the Republic of Croatia. The strategy needs to define short and long term goals and key steps (adoption of a new legal framework, implementation of info-education campaigns, the provision of financial resources, etc.).

**10. Encouraging projects that can be implemented quickly and without a large investment in the documentation**

It is recommended that cooperatives initially focus on those technologies which guarantee profitability regardless of the legal framework and which guarantee a quick and simple implementation. In this sense, energy efficiency projects as well as space heating projects and preparation of domestic hot water with biomass using heat pumps and solar panels, need to be promoted.