



Denmark

Energy Communities Policy Framework



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Overview

Denmark has a long history of engagement with citizens and local authorities in its energy system. Over twenty years ago, the **utilities producing and supplying electricity were consumer-owned, cooperatives or municipal entities**. Similarly, the **district heating companies were, and are still largely, consumer-owned cooperatives or municipal entities**. Local actors were also pioneers and largely contributed to the expansion of wind energy in Denmark.

The **Electricity Supply Act** n°984 of 2021 (updated in 2023 with Act n°1248) and the **Renewable Energy Act** n°1791 of 2021 (updated in 2024 with Act n°1031) enabled the ministry in charge of energy to define rules for implementing energy communities' provisions. On these bases, several orders were published, including the implementing order BEK n°2021/1069, developing the provisions on energy communities. The definitions, rights, obligations and enabling framework have been transposed. Except for their definitions and the geographical areas where they can operate, nearly all provisions for Renewable Energy Communities (RECs) and Citizen Energy Communities (CECs) are the same.

In order to facilitate the reading of the note, the term "Energy Communities" (ECs) is used instead of repeating RECs and CECs: nearly all provisions related to rights and obligation and to the enabling framework apply to both RECs and CECs. However, the term does not exist in the Danish legislation.

1. Energy Community Definitions

There are two definitions. The Danish Energy Agency is the dedicated authority to oversee the development of RECs and CECs. Denmark does not impose specific requirements on RECs and CECs to register or be granted a licence for operation.

1.1. Renewable Energy Community definition

Renewable energy communities were introduced in Danish legislation in the **Renewable Energy Act** n°1791 of 2021 (updated in 2024 with Act n°1031), where they are defined as **legal entities based on open and voluntary participation**.¹ According to the implementing order BEK n°1069, participation and ownership of capital shares in a REC is open and voluntary. However, the participation can be limited by the partnership contract or article of the statutes. ECs can be an **association, a partnership, a cooperative or a private capital company**.

¹ § 5 (17) of LBK n°1031 of 06/09/2024 and § 3 of BEK n°1069 of 30/05/2021

Capital owners or participants of RECs can be natural persons, SMEs (as per EU definition: less than 250 employees, plus an annual turnover of up to EUR 50 million, or a balance sheet of no more than EUR 43 million) and local authorities, including municipalities.

Any participant who decides on behalf of the REC cannot be engaged in extensive commercial activities and have the energy sector as their primary area of economic activity (this includes members of the organisation's management). Those cannot obtain a controlling influence over the REC. This exclusion does not prevent the REC from becoming an electricity trading company for the energy sharing activity.

A REC's **main purpose** is to provide its capital owners or participants or the local areas in which it operates environmental, economic or social community benefits rather than financial profits.

A REC should also be "**independent**". RECs should be controlled effectively by capital owners or participants located near the renewable energy projects owned and developed by this legal entity.

1.2. Citizen Energy Community Definition

Citizen energy communities were introduced in Danish legislation through the **Electricity Supply Act** n°984 of 2021 (updated in 2023 with Act n°1248), where they are **legal entities based on open and voluntary participation**,² similar to a REC. **Any natural or legal entity can join a CEC as a member.** CECs can be an association, a partnership, a cooperative or a private capital company. Moreover, it is specified in LBK n°1248 that a network company cannot be a CEC.

Similarly to a REC, any participant who decides on behalf of the CEC cannot be engaged in extensive commercial activities and have the energy sector as their primary area of economic activity. Those cannot obtain a controlling influence over the CEC. This exclusion does not prevent the CEC from becoming an electricity trading company for the energy sharing activity.

A CEC's **main purpose** is to provide its capital owners or participants or the local areas in which it operates environmental, economic or social community benefits rather than financial profits.

Among the **main differences between a REC and a CEC**, the CEC can only be controlled by participants or capital owners who are natural persons, local authorities, municipalities, or small businesses although any entity can participate. Moreover, CEC's participants or capital owners can be supplied with electricity from the production

² § 5 (5) of LBK n° 1248 of 24/10/2023 and § 4 of BEK n°1069 of 30/05/2021

facilities within a CEC without being in direct physical proximity to the electricity production facility.³

2. Rights and obligations

The Act on Energy Supply, LBK n°1248 from 24/10/2023 enables the ministry for climate, energy and supply to lay down **rules regarding active customers, CECs and aggregator companies**. Those rules can also exempt CECs from certain rules and obligations associated with electricity supply obligations and aggregation to its participants and capital owners.

With LBK n°1031 of 06/09/2024 on the Promotion of Renewable Energy, the ministry gains the explicit **competency to set rules** on RECs that own facilities that produce non-electric renewable energy. These rules can include provisions on RECs' right to produce, consume, store and sell renewable energy.⁴

To the knowledge of the Energy Communities Facility, **existing rules** only allow both RECs and CECs to **engage in the electricity sector**. The provisions on RECs and CECs (hereafter ECs) are consolidated in the same implementing Order, BEK n°1069 of 30/05/2021.

Participants in ECs **maintain their rights as household consumers** and active customers. If a member of an EC withdraws from the community, the relevant company law rules apply depending on the form of the company. This right to withdraw from an EC does not affect any liability obligations of the participant or capital owner in relation to the community or obligations entered into by the community.⁵ An EC member exercises its right to choose a supplier when opting for supplied or shared energy by the community.⁶ However, it can be supplied by any other electricity trading company, provided that the connection and measurement points have been established.

ECs can **engage in production, supply, consumption, aggregation, energy storage, energy efficiency services** or **services for charging electric vehicles** or provide **other energy services activities** for their members.⁷ Moreover, ECs are not allowed to own, establish, buy or rent distribution networks. However, they can arrange electricity sharing within the community via the public network, with production means owned by the community or its members.⁸ A price can be charged for the shared electricity. For RECs, the sharing of electricity between members must occur in the physical proximity of the production facility (not applicable to CECs). Regarding production, ECs must request the

³ § 12 (2) of BEK n°1069 of 30/05/2021

⁴ § 21a of LBK n°1031 of 06/09/2024

⁵ § 5 (3) of BEK n°1069 of 30/05/2021

⁶ § 5 (4) of BEK n°1069 of 30/05/2021

⁷ § 8 of BEK n°1069 of 30/05/2021

⁸ § 12 of BEK n°1069 of 30/05/2021

issuance of guarantees of origin related to the self-consumed electricity and cancel them. Once Energinet, the Danish national transmission system operator, has finished its development of a model and a platform for nearly real-time-based guarantees of origin⁹, these must be used as the basis for sharing.

Moreover, **ECs are granted access to all electricity markets**, either directly or via a third party, in a non-discriminatory manner.¹⁰ In order to participate directly in the electricity markets, an EC must be established as an electricity trading or aggregator company and be covered by all the rules. The order also states that ECs must be treated in a non-discriminatory and proportionate manner concerning their activities, rights and obligations as electricity consumers, producers, electricity trading companies and aggregator companies.¹¹ All ECs must be balance responsible parties or delegate their responsibility to a third party.

3. National Registry of energy communities

Denmark has opted to **not establish a central registry of energy communities**. This lack of requirement for registration was chosen to reduce barriers and simplify the process of setting up an energy community.

4. Assessment of obstacles and removal of unjustified barriers

The Danish Supply Authority is in charge of identifying and monitoring the removal of unjustified obstacles and restrictions for the development of RECs and CECs. According to the Danish National Energy and Climate Plan (NECP), Denmark considers that there are **no major barriers** to establishing ECs and is introducing various enabling policies that are summarised in the next chapter.

5. Enabling framework

To enable energy communities in Denmark, the legislation has established a straightforward **regulatory framework for RECs and CECs**. The country has opted **not to impose specific requirements for registration or licensing** in order for an entity to

⁹ Energy Track and Trace, see <https://energytrackandtrace.dk/> and <https://github.com/project-origin>

¹⁰ § 10 of BEK n°1069 of 30/05/2021

¹¹ § 11 of BEK n°1069 of 30/05/2021

operate as an energy community. Moreover, as part of the enabling framework, Denmark follows largely the same regulations for renewable energy communities and citizen energy communities, simplifying the processes and increasing transparency. Denmark has also provided broad flexibility in terms of the types of companies that can participate in such communities (e.g. association, a partnership, a cooperative or a private capital company).

In terms of necessary **cooperation with energy suppliers**, the legislation introduced certain requirements. Electricity sharing in ECs must take place under an agreement on the supply of electricity with an electricity trading company, which handles offsetting and allocation based on their needs.¹² In other words, one supplier has to supply the residual electricity of the members of the EC and takes care of the production surplus. This supply contract includes both the shared energy consumed and the additional electricity needed to cover the demand. The Danish Utility Regulator is responsible for monitoring barriers and ensuring that network companies cooperate with renewable energy communities to facilitate electricity sharing. The network operator with the license for the area where the EC is established and operates should cooperate with the EC when the EC contacts them with concrete measures for electricity sharing.¹³ The EC has to compensate the network operators in the form of separate fees, to be defined by the Danish Supply Authority, for the specific measures taken.

Should the EC decide to fulfil the requirement for an agreement by itself, it must comply with all the (complex) obligations for performing activities in electricity markets. So far, no energy community in Denmark is able to comply with these obligations.

From a **consumer perspective**, as stated above, consumer rights apply to members of an EC. Any consumer with their own meter can exit the EC and choose another supplier. Bylaws of the EC and common rules on investment applicable to the legal entity of the EC will determine procedure for exiting the investment. When consumers share a meter (e.g., in a house), a consumer that opt for an alternative supplier will need to have its own cable to the public grid and its own meter. This shared electricity is not considered supplied electricity, and therefore, the supplier obligations are not applicable to the EC or its supplier operator for this shared electricity.¹⁴

Danish legislation also defines clear **rules on the applicable prices, grid tariffs and taxes** in connection with electricity-sharing flows for ECs. An amendment of the Act on Supply of Electricity introduced in March 2023¹⁵ enables reduced and geographically localised grid tariffs for local associations of network users (including inter alia energy

¹² § 13 of BEK n°1069 of 30/05/2021

¹³ § 15 of BEK n°1069 of 30/05/2021

¹⁴ § 17 of BEK n°1069 of 30/05/2021

¹⁵ § 73 of LBK n°1248 od 24/10/2023

communities. Moreover, if the EC's use of the grid increases savings for the grid operators, EC tariffs must be reduced based on the assessment of the benefits for the grid of EC's use of the network. The Danish Supply Authority has to approve the method for preparing such tariffs.

6. Access to finance and support

In August 2022, the ministry issued an order n°1162 on **subsidies for energy communities**, which empowered the Danish Energy Agency to offer **grants to RECs and CECs** for dissemination and exemplary projects (energy system savings, climate, flexibility, cooperation, aggregation, long-term local engagement in the electricity sector). In 2024, this order was updated with Order BEK n°451 of 13/on **grants to local energy communities and local anchoring of climate transition**.

Grants can be awarded to two main types of projects, **information projects** that aim to spread knowledge and awareness about renewable energy solutions within local communities, and **major projects that plan, establish, or demonstrate practical examples of energy solutions** involving generation, supply, consumption, sharing, storage, flexibility, or efficiency. Major projects must also support at least one sub-purpose, such as showcasing how energy communities can reduce strain on traditional energy systems, transition to renewable heating or cooling, generate community benefits, provide documentation of impact, promote cooperation with other stakeholders, enable aggregation of energy use or production, or strengthen long-term local support for the green transition. Applications must be submitted by a project administrator on behalf of a project organisation that includes either an established energy community or a group planning to form one, and may also involve municipalities, NGOs, universities, companies, or other relevant actors.

Grants can amount to DKK 10 000 to DKK 200 000 (eq. EUR 1 300 to EUR 27 000) for dissemination projects and DKK 20 000 to DKK 750 000 (eq. EUR 2 700 to EUR 100 000) for major projects. Since 2023, grants also cover the sectors of heating and cooling. The grants on dissemination contribute to providing information and promoting citizen engagement in energy communities.

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