

DIMITAR DIMITROVSKI\*

**CONVERGING CORPORATE SOCIAL RESPONSIBILITY  
CONCEPT AND ENERGY COMMUNITIES: EXPLORING SHARED  
DRIVERS AND VALUES**

**Abstract:**

*The purpose of this article is to investigate interrelations between the corporate social responsibility concept and the energy communities, a grassroots organization phenomenon in the field of renewable energy. The corporate social responsibility concept and the drivers for its implementation in energy companies and energy communities are explored against the energy communities' peculiarities, and their main characteristics and functioning principles. Given the dynamism of the energy sector, the growing significance of energy companies and energy communities is accentuated for fulfillment of societal concepts of energy security and energy transition. Key findings show a level of overlapping between the CSR drivers in energy companies and the guiding principles, values and motivations for establishing and operation of the energy communities. The results of the research should serve as basis for conducting future profound research on the energy communities' phenomenon and thorough understanding of implementation of the corporate social responsibility concept in energy communities.*

**Keywords:** corporate social responsibility, CSR drivers, energy communities, renewable energy

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\* PhD candidate at Doctoral School, University American College Skopje, Skopje, North Macedonia, e-mail: dimitardimitrovski@outlook.com

## INTRODUCTION

The energy sector is one of the most important sectors in any world economy, critical for the successful and profitable functioning of other sectors of an economy. Energy represents an important input into each of the products and services produced in any industry and country, thus strongly influencing the competitiveness of the companies and their products/services, as well as the everyday life of the citizens.

Recognizing the importance of the stable energy supply for the economy, there is growing trend among the countries to secure the energy for their industries, citizens and public service providers, as much as possible from domestic resources. To include the importance of all societal aspects, energy security as a term is often expanded to wide range of matters involving concepts of energy poverty and climate change (Cherp and Jewell, 2014), while at the same time addressing the shift towards cleaner energy sources, such as renewables.

Henceforth, over the last decade, a newly coined term “energy transition” describes key policies for addressing global environmental and climate change issues worldwide, but also a policy which has potential to ensure energy security. In a nutshell, the cornerstone of the energy transition policy is the process of transition from fossil fuels to deployment and use of renewable energy sources (RES), resulting in increased pace of construction of RES facilities and energy efficiency measures. Empirical evidence from around the world shows that energy transition policy is only possible with dedicated involvement of the society at large, embracing the changes (Gregg et.al., 2020; Wustenhagen et. al., 2007), which involves the citizens and above all the businesses. Recent scholarly research shows that lately, the concepts of sustainability and of corporate social responsibility (CSR) are getting importance as they have potential to contribute to attainment of the energy transition goals.

When it comes to EU and the Western Balkan countries, some authors (Minas, 2020) differentiate between energy transitions: “first energy transition”, related to the legal transposition of the EU legislation, namely, the Third Energy Package; “second energy transition”, centered around the decarbonization efforts; and the current energy transition guided by the climate change agenda. Other groups of authors debate that energy transition is bigger than technological switch and policy shift, as it requires additional community and behavioral alterations (Lennon et al., 2019). In line with community and behavioral alterations, last decades have seen surge in citizens community financing of RES generation facilities, despite the fact that most of the new RES facilities

are being developed by large energy companies and private equity funds. The very concept of community financing of RES facilities has several names, which in essence describe the same phenomenon, albeit with certain differences related to the very concept, model, functioning principles, and drivers. In the European Union (EU), these organizations are recognized as Citizen Energy Communities, under the EU Directive 2019/944 on common rules for the internal market for electricity, or as Renewable Energy Communities, under the EU Directive 2018/2001 on the promotion of the use of energy from renewable sources, a subset of the Citizen Energy Communities. They all operate as cooperatives, within the European Federation of Citizen Energy Cooperatives (REScoops.eu), typically under the principles of the International Cooperative Alliance. The author will refer to both categories of these democratically run citizen organizations further in this paper, as to energy cooperatives (ECs). Having in mind ECs different incorporation, reasons for establishment, management principles and organization, in this paper, an attempt will be made for distinguishing between the energy companies (corporate entities) and ECs (non-corporate entities), referring to them as companies and ECs, respectively. Implementation of CSR practices by the ECs, seems not to be elaborated in the literature by the modern scholars. We can speculate that this is due to ECs democratic organization, their less profit-oriented character, and their focus on positive environmental effects, all of which by itself represent important elements of the CSR practices. Also, the reasons behind the decisions of the ECs to embrace the CSR practices seem to be missing in the literature. This article provides theoretical overview of the concepts of CSR and the drivers for its implementation in energy companies and ECs. It reviews the existing literature on CSR and ECs with an objective of elucidating the relationship between these two concepts and their compatibility. Finally, it aims to: (i) provide an overview of the applicability of the fundamental CSR principles in energy companies' and EC's, given that ECs are not typical businesses, nor their functioning principles and drivers are purely business related; and (ii) to better understand the drivers motivating the energy companies accept CSR practices, and if these drivers can be applicable to/are the same as the drivers of the ECs.

The article is structured as follows: section 1 comprehensively reviews the existing body of knowledge on CSR applicable to the energy companies, whilst section 2 reviews the CSR and EC's main drivers and motivations. Finally, the conclusion summarizes the contributions and raises suggestions for further research in an effort to identify the best model of assessment of the CSR in ECs.

Despite the fact that the very term of CSR contains the word “corporate”, the research on the CSR concept will be performed and elaborated (to the greatest extent possible) from the perspective and lenses of the non-corporate entities, that is, the ECs.

## **1. CSR PERSPECTIVE IN THE CONTEXT OF ECs AND ENERGY COMPANIES**

This literature review has its limitations as such. It was performed without an ambition of covering all features of the CSR, due to time and space limitations, attributable to CSR’s huge body of knowledge existing in different on-line libraries and databases. Instead, it shall focus exclusively on a few main features of the CSR that are considered relevant for the ECs.

The Green Paper on Promoting a European Framework for Corporate Social Responsibility (European Commission, 2001), defined the CSR in essence as “a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.” Ever since, the CSR has made its long way from being purely voluntaristic concept to becoming also regulated by different regulatory instruments, and transformed itself equally into compulsory concept, depending, however, on jurisdictions and other criteria related to the companies responsible for its implementation. Today, the CSR is about integration of business goals of a company with the society and environment, whether on voluntary or compulsory basis, and hence its clear link with the ECs functioning principles centered around environmental benefits and societal goals by means of facilitating RES generation. But RES also require dedicated and continuous policies by all of the society stakeholders, the governments (Leonhardt et. al., 2022), business endurance and shift to green investments by the companies and acceptance and support of the citizens. As companies represent an important link in the energy transition efforts, matching their interests with broader society interests is considered crucial for the attainment of the energy transition goals. Consequently, the CSR concept becomes critical for addressing business challenges of the companies, in line with the values and interests of society at large.

The functioning of ECs attracts growing interest, due to their principles of operation, their growing numbers and importance as players for achieving energy transition goals. ECs focus is more on the environmental benefits and creating local value (Wang et. al., 2022), while secondary importance is

given to the expected financial impacts of the members of the ECs (Wiersma and Devine-Wright, 2014). Although, recent research suggests that many of ECs incline towards financial performance, embracing competitive thinking (Bauwens et al. 2016), their different guiding principles and their predominant focus on positive environmental impact, local value creation, and democratic structure (Soeiro and Ferreira-Dias, 2020), clearly makes the difference against the corporate structure of the companies, which main focus is profit. Still, group of authors (de Bakker et al., 2020), concludes that ECs (in Netherlands) follow the “happy middle ground” combining democratic and participatory values with business logic, thus providing benefits of the EC members in line with social values and traditional values of Dutch corporatism. But according to Bielig et al., (2022) “ECs are ... supposed to create social impact, as they should deliver benefits to their community in economic, ecological, and social terms”. The same group of authors identifies four (4) categories of social impact, namely, energy justice, energy democracy, community empowerment and social capital. We notice a strong connection and overlapping of the categories of social impact with the concept of CSR and its practices.

From the companies’ perspective, as Fallah Shayan et al. (2022) puts it: “CSR activities go beyond ethical and philanthropic purposes. They add value to companies.” And they do so by strategically supporting socio-economic and environmental sustainability through management and stakeholder involvement (Tiep et al., 2021), which has very much in common with the community empowerment and energy democracy, as categories of social impact. Achieving social and environmental sustainability in pursuing business goals is crucial for a company credibility and potential growth. In doing so, the CSR model strives to align the company business strategy and society values developing and maintaining channels of structured communication and interaction with stakeholders. But not only for the sake of the CSR, as open communication with its stakeholders (be it the clients or policy makers) is also beneficial for the companies (Camilleri, 2017).

Abiding the CSR practices is more than being socially responsible, as it is also expected to contribute to the company profitability (Fallah Shayan et al., 2022). CSR as a concept represents a long-term investment practice, rather than a short-term exercise. Some authors suggest that despite the fact that companies pursue the CSR strategies over longer period of time, with an intention to earn extra profits, the reality is that companies implementing CSR deliver lower returns to their shareholders, but still, increase their profitability in an indirect manner by increasing the credibility of the company and its product

(Strielkowski et al., 2021). Still, other researchers emphasize the difficulties in providing evidence of causality between the CSR and the companies' financial performance (Camilleri, 2017).

## **2. CSR AND EC DRIVERS AND MOTIVATIONS**

CSR concept has been present among the companies for over 50 years. Over the last several decades, CSR has become increasingly popular and trendy in the corporate world. Although CSR has started as a voluntary practice, lately it has been regulated through different regulatory measures and policies in the developed countries, such as in EU member states. For example, in the EU, the Corporate Sustainability Reporting Directive (CSRD) has been in force since 2023, requiring social and environmental information to be reported by certain, mostly large and listed companies. ECs are certainly not the legal entities that need to comply with the CSRD, but their case is even more intriguing as they are incorporated on the basis of principles of sustainability, stakeholder involvement, social and environmental responsibility, but still not required to comply with the CSRD. Recent research confirms that companies are unwilling to advance their environmental performance, despite the mandatory regulation which usually has positive effect on their environmental performance (Aragon-Correa et al., 2020). Hence, the importance of understanding the main drivers for abiding by the principles of CSR among companies and other organizations, in our case, ECs. Some contemporary researchers have identified 11 drivers for the CSR among companies (Fallah Shayan et al., 2022). These are the following: shareholders, board, managers, stakeholders, employees, customers, competitors, governments, industry, non-governmental organizations and media. However, contemporary literature seems not to provide analysis over the prevailing drivers or classifying them in order of importance. Although their classification may substantially depend on different factors such as: industry, country/ies where they operate, cultural differences and regulatory environments, to mention few.

The United Nations framework for Sustainable Development Goals (SDGs), comprising of 17 goals, has also been widely used by companies for development and implementation of their CSR plans. But can SDG by itself be considered as drivers for the companies and ECs in implementing CSR practices? Some scholars emphasize the importance of the SDGs in achieving convergence with the CSR model, arguing that the perspective of SDGs extends beyond individual corporations, emphasizing a broader and more forward-looking

approach, making businesses not only socially responsible but also more sustainable (Fallah Shayan et al., 2022).

The existing literature has already identified and categorized barriers for the CSR. Recent research performed on Nordic energy sector companies revealed three categories of barriers for implementation of CSR: at individual, organizational, or institutional level (Latapi et al., 2021), which largely coincides with previous research.

The reasons behind the decision of the energy companies and ECs to embrace the CSR seem to be missing in the literature. What are the drivers motivating energy companies to accept CSR? Are they purely related to the potential for increased profitability, companies' reputation, or perhaps altruism (especially in the case of ECs)? Or are they related to the SDGs, in particular SDG-7 (Ensure access to affordable, reliable, sustainable and modern energy for all), SDG-11 (Make cities and human settlements inclusive, safe, resilient and sustainable), SDG-13 (Take urgent action to combat climate change and its impacts), without an intention of minimizing the role and importance of other SDGs. Or could be the combination of both? In a recent systematic literature review, however, the motivating factors or drivers for the energy companies for accepting and implementing CSR model were categorized in 3 groups: internal drivers, external drivers and connecting drivers (Latapi et al., 2020). The same group of authors identifies 5 internal drivers:

- Business strategy, Corporate culture, Cost savings and profitability, Environmental commitments and climate change adaptation and mitigation, and Risk prevention;

4 external drivers:

- Competitiveness, Legislative and regulatory frameworks, Social commitments and engagement, and Stakeholder engagement and satisfaction; and

4 connecting drivers:

- Branding and reputation, Reporting and disclosure, and Social license to operate.

The comparison with the identified EC drivers shows strong connection and overlapping between internal drivers (environmental commitments and climate change adaptation and mitigation) and positive environmental impact, as one of the guiding principles of ECs; and external drivers (social commitments and engagement, and stakeholder engagement and satisfaction), with local value creation, and democratic structure, as one of the guiding principles of ECs.

The link and the level of equivalence between other drivers yet needs to be identified and comprehended through future systematic research.

## CONCLUSION

There is no simple answer or a pattern explaining the interrelations between the CSR and the ECs, especially given the lack of available literature exploring their interrelationship. But the literature review revealed certain connections but also differences in the drivers for implementation of CSR in ECs and among the energy companies.

The complexity of the issue increases as there are factors which should be explored in greater detail, and which are associated with cultural differences, social norms and democratic values in countries. They need to be further analyzed so that we better understand the drivers behind the CSR model implementation in ECs.

Hence, the research limitations are closely associated with different inputs at national (e.g. regulatory), international (e.g. SDGs), local and/or cultural level. Future research should incorporate these important national, international and local/cultural factors.

Finally, an important limitation of the future research may be the small number of ECs or similar organizations operating in the field of energy, especially in countries of Western Balkan. This can potentially be overcome by adding several companies, especially small-scale renewable energy producers, to alleviate quantity-related limitations. Expanding the research on CSR drivers among the energy companies may yield better, more relevant, and practical results, however, there is clear need of creating comparable parameters for assessment of social versus economic impact (Bielig et al., 2022), or the quantification of the social impact.

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