

LIFE-BECKON

Boosting Energy Communities massive deployment by equipping local authorities with comprehensive technical assistance cookboOk, integrated services and capacity building



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Examples of Funding models for Energy Communities

Author: Asier Larretxea Barja (WEG)

This document provides an outline of some of the most common funding models to finance Energy Communities and their projects. This includes bank financing, subsidies, crowdfunding, crowdlending, financial lease and alternative funding.

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1. Introduction

There are many ways to finance RECs and the activities they perform. The diversity of Energy Communities (with different goals, types of participants, etc.) and their activities will require very different financial solutions to make the projects real. In addition, these financial requirements will be different in the different development phases (project initiation, design, implementation, operation).

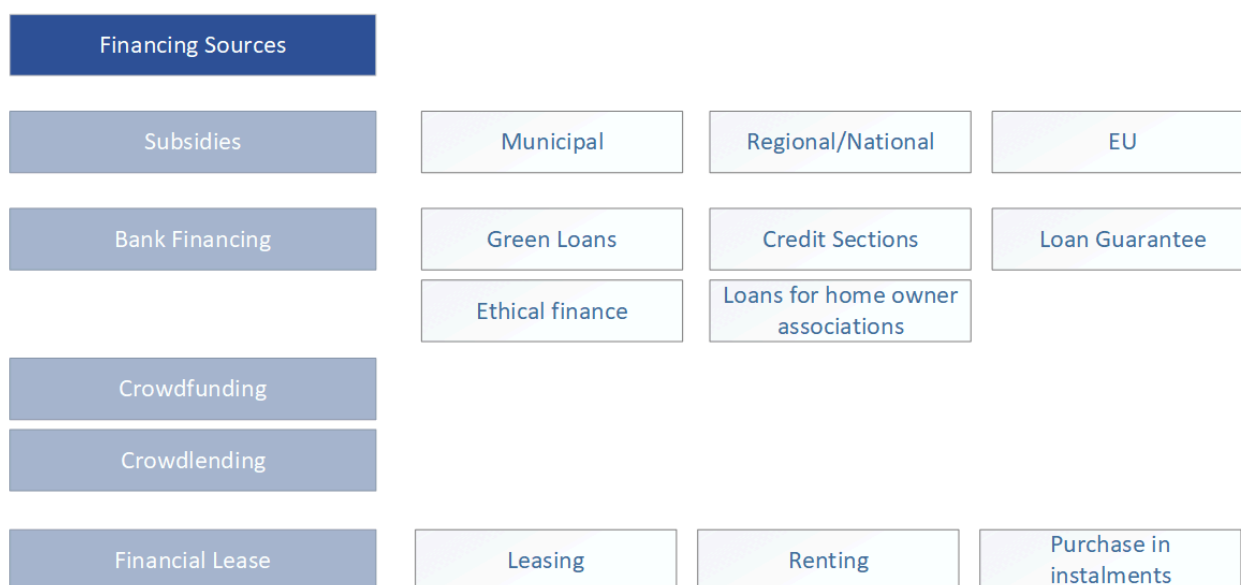


Figure 1. Summary of some of the most common financing sources described in this document.

This section contains different sources of financing to obtain the necessary financing for building or operating the ECs and the related facilities. We introduce some of the most common sources of bank financing (such as Green Loans, Ethical Finance, Credit sections, Loans for homeowners' associations and loan guarantees). We also describe available subsidies for EC. Crowdfunding and crowdlending sources will be also included on the sections below. Finally, alternative financing sources such as collective installation purchase and the possibility of selling self-consumption surpluses to the grid are also included.

2. Financing Sources

1.1. Bank Financing

1.1.1. Green Loans

There are many green loans available from diverse financial institutions. An example of green loans is the European Investment Bank (hereinafter, "EIB"). This green loan is a private financing instrument for energy efficiency (hereinafter, "PF4EE"). Its main goal is to raise the private financing of energy efficiency improvement projects.

5. PF4EE consists of loans from the EIB to financial intermediaries together with the protection from losses associated with the granting of loans for energy efficiency projects. PF4EE aims at helping the Member States of the European Union to develop energy efficiency programs with the Member States' banking institutions.

1.1.2. Ethical Finance

There exist banking institutions that operate as banks or cooperatives of financing services only for those projects, taking care of the social and environmental impact as much as the economic benefits. Examples: Triodos, Fiare, Coop57 i Oikocredit.

1.1.3. Credit sections

Intermediation services that cooperatives offer apart from its main activity through an entity without self-legal status and limits the active and passive operations the cooperative and its partners can do.

1.1.4. Loans for homeowners' associations

Bank Institutions offer loans for works, installations, etc. for homeowners' associations in order to allow them to finance their projects. Some of them are focused on reaching an energy efficiency improvement.

1.1.5. Loan Guarantee

The provision of a loan guarantee is common for REC projects. This financing source consists of a third party who guarantees the payment in case the project is unable to meet its debt obligations.

1.2. Subsidy

There are many subsidies at local, national and European level to promote energy efficiency improvement activities of houses and renewable energy projects.

Public calls for NextGeneration European funds are opened regularly in each Member State. There are many programs regarding renewable energy communities.

In this context some digital platforms work as subsidy browsers. Using filtered research, the available subsidies can be found. In fact, the European Union and other entities or private companies are developing digital platforms which aim to identify and facilitate its entering to anyone. We will describe them below:

- a. EU Financial Assistance:
https://european-union.europa.eu/live-work-study/funding-grants-subsidies_en

This is a European Union website where most of the current available subsidies are explained. This site has links that lead to the official websites of those funds where the requirements and the procedure in order to obtain them are explained.

- b. Funding & Tender-Portal der EU:
<https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>.

This is a European Commission website which provides a browser in order to find specific aids and subsidies.

- c. EuroVienna: <https://www.euro-access.eu/en>

This is a private platform which offers filtered searches in order to find the subsidy that fits best your project.

- d. Welcome Europe: <https://www.welcomeurope.com/nos-programmes/>

This is a private platform which offers filtered searches in order to find the subsidy that fits best your project.

- e. EUcalls: <https://eucalls.net/>

This is a private platform which offers filtered searches in order to find the subsidy that fits best your project. However, you must be subscribed in order to use it.

- f. Finance4hope: <https://www.finance4hope.eu/>

This is a private platform which offers filtered searches in order to find the subsidy that fits best your project. However, you must be subscribed in order to use it.

1.3. Crowdfunding

The crowdfunding is a decentralised financing source which allows offering funds to little enterprises through online platforms. They became regulated by Regulation (EU) 2020/1503¹. This regulation establishes some limits in the project financing.

It usually consists of specialised platforms which facilitate transactions between the promoters of the project and investors.

Crowdfunding has many modalities. The most popular ones are the following:

- a. Reward-based crowdfunding: the project owner describes its project on a platform and in return of donations the owners provide rewards to the donators.
- b. Investment crowdfunding: in this type of crowdfunding that is also well known as equity crowdfunding, the investors will invest on a project but they will agree a return with the project owner in case the project makes profit.
- c. Donation crowdfunding: it is often used in case of non -profitable causes such as natural disasters, wars, etc. It is based on people donating their money and it is common to organise a draw between funders.

1.4. Crowdlending

Crowdlending is the typical private financing made between companies following certain agreed conditions.

¹ REGULATION (EU) 2020/1503 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

There are many platforms which enable you to make that kind of financing such as Ecrowd. Ecrowd is a platform which offers services for connecting companies and investors. There are no banks or intermediaries in it, Ecrowd only advertises companies and investors in order to meet each other using specialised browsers.

1.5. Financial Lease

1.5.1. Leasing

It is a financial lease in which the person who needs certain assets cannot or does not want to acquire them directly in order to not risk its capital. In order to acquire them, they decide to contact a financial institution which commits to acquire on their behalf and give its right of use. In exchange the financial institution receives recurrent payments until a certain date. Having reached that date, the person can decide to renew the contract or acquire the asset through a purchase option.

Please note that REC may not lease their renewable energy projects, since European Law requires RECs to own them.

1.5.2. Renting

It is a commercial lease in which assets are available to someone through an agreed compensation through a certain period of time. The difference between renting and leasing is that renting does not necessarily include the purchase option.

Please note that REC may acquire their renewable energy projects by renting, since European Law requires RECs to own them.

1.5.3. Purchase in instalments

Agreement in which the Buyer does not pay full price at the moment he gets the asset. The Buyer pays certain instalments through certain periods of time. This agreement normally has interests as result of differing payments over time.

In such cases the property of the asset is from the Buyer, however it is possible to include reservation of title on behalf of the Seller.

3. Alternative Financing

3.1. Collective installation purchase

People who live in a certain geographical spot are interested in acquiring certain generation facilities so they commit to join efforts and capital between them in order to find the company which can offer best conditions to acquire the asset.

3.2. Selling self-consumption surpluses

It is possible to sell the self-consumption surpluses to the grid in order to partially finance the generation facilities that a REC could hold. Its feasibility and potential would depend on whether the Member State in which the generation facility is established, allows the sale of the surpluses to their own electric system and subject to which conditions.