

Alternative financing for renewable energies and energy efficiency

Highlighting the importance of regional and local authorities' catalysing role

POSITION CONCEPT

Crowdfunding is a relevant alternative to traditional sources of financing for innovative projects, particularly in times of economic crisis and limited access to credit. Nonetheless, citizen access to such an alternative financing mechanism is still far from having reached its full potential, especially when renewable energy and energy efficiency projects are the ones that seek financing. The demand for predictability of risk and shorter payback terms is often not appropriate for local, smaller-scale investment projects; because of this higher risk perception, the transaction costs rise and the project becomes less bankable.

The proposed position paper aims to **encourage the European Commission's endeavour to support crowdfunding as a means for financing of innovative projects**, especially in the field of renewable energies and energy efficiency, by calling for a stable regulatory and investment environment that would accelerate the investments via crowdfunding mechanisms.

It presents the main barriers that regional and local authorities face in trying to bridge the gap between public engagement and investments, and renewable energy and energy efficiency projects.

Crowdfunding local framework

As analysed in Citizenenergy's previous policy papers, there are stark differences between national legal frameworks¹ and several barriers exist that prevent individuals from understanding and investing in renewable energy and energy efficiency projects through alternative finance tools². Having a strong link to their communities, a good overview of their territory and of the composition of population, regional and local authorities could play a central role in bridging the gap between the public and alternative investments in renewable energy and energy efficiency projects.

¹ Citizenenergy Policy Paper "Fostering crowd-based investments in renewables and energy efficiency"

² Citizenenergy Policy Paper 2 "The opportunity of alternative financing and need for citizen engagement"



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As public funds alone are not sufficient to deliver the ambitious energy targets that have been set and accepted by the European Union and its member states, there is a strong need for a new approach to funding that can also take into consideration alternative financing tools such as crowdfunding and cooperative models.

Regional and local governments often find it difficult to make use of crowdfunding and are unsure about how to integrate crowdfunding into their processes. Some of the most prominent difficulties that public authorities face in their daily activities are summarised below:

- Debt ceilings pose a major problem for local authorities, as they restrict the amount of debt finance municipalities can raise on their assets such as public buildings.
- Local authorities may also face significant procurement barriers making it difficult to work collaboratively with potential solution providers.
- In-house capacity building for municipalities is needed to aggregate projects (bundling) as well as to balance risks and benefits.

Especially when talking about renewable energies and energy efficiency projects that require large investments and provide only long term returns, municipalities face a funding gap. Being unsure about the specific functioning, legality and availability of alternative financing tools such as crowdfunding, regional and local governments cannot fully exploit their strong links to the citizens and SMEs in their territories. As a result, the current situation limits investment on the municipal level in renewable energy and energy efficiency measures. The integration of traditional investments with innovative funding solutions for municipalities, especially for renewable energy and energy efficiency, could help to deliver on European energy targets.

Cooperative and crowdfunding models can help municipalities get around procedural boundaries related to debt ceilings for renewable energy or energy efficiency installations. Municipalities can in some cases move the funding burden onto private companies, which own the relevant installations. However, many energy efficiency measures (lighting, insulation, windows in public buildings) are part of the assets owned by municipalities: in order to achieve deeper energetic retrofits, where the Energy Efficiency Directive and Energy Performance in Buildings Directive ask the municipalities to play a front running role, equipment and installations cannot be the sole focus. The assets cannot be separated from the building any longer.

Finally, in order to make it possible for regional and local authorities to become more conscious and active in the promotion of alternative financing tools in the



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field of renewable energies and energy efficiency, the undersigned have identified capacity building in all fields related to the ones discussed in this document as an issue of paramount importance.

CONCLUSIONS

The importance of regional and local authorities for a more efficient use and integration of alternative financing tools

Having identified key obstacles, the undersigned encourage European policy makers to take concrete action that properly addresses public authorities' needs in the field of citizen-funded initiatives for renewable energies and energy efficiency. Citizen-based financing mechanisms can unlock the necessary capital needed for the energy transition and it is in the European Commission's interest to build a supportive framework to realize this. The Energy Union communication states that the citizen should be at the core. The undersigned thus urge EU policy to support the citizen engagement by pro-actively supporting crowd-funding and cooperative structures.

Especially with regard to RES and energy efficiency projects, social acceptability has become an aspect of paramount importance that needs to be taken into consideration. If individuals and entire communities are involved in the process of innovation, they are more likely to accept the new infrastructure and technology that can transform their lives for the better. Crowdfunding and cooperative models can trigger broad citizen involvement and bring together players that operate at different stages of the process, representing a strong tool fostering the energy transition. These models can also help promote specific subsectors (such as geothermal) suffering from a lack of awareness.

At the national level, crowdfunding and cooperative structures have the potential to become valid co-financing mechanisms that could integrate the funds provided through State aids for renewable energy projects. By collaborating with the Managing Authorities for the Structural and Investment Funds (ESIF), future financing instruments should embrace the potential of citizen-based financing mechanisms. In order to make such integration mainstream practice, regional and local authorities should back, endorse and support crowdfunding activities, acting as gatekeepers and promoters of reliable platforms on their territory. A further development in this direction should lead to the creation of national contact points, where criteria to identify reliable community-financed energy projects would be centralised and standardised.



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Furthermore, one of the aims of the upcoming revision of the RES Directive³ is, among other aspects, to lay down a clearer definition of key terms such as “prosumers” and “cooperatives”. In so doing, the need for a definition of “crowdfunding” in the energy sector should also be highlighted, since this could pave the way for an effective use of such tool in the years to come.

Finally, the demand for funding for small and medium-scale projects developed by local companies is steadily growing. Regional and local authorities already have a strong interest in such projects but, due to their debt ceilings, face strict barriers to investment. Excluding investments in renewable energy and energy efficiency projects from the Stability Pact would guarantee the required support for sustainable energy projects and allow public authorities to explore alternative financing tools such as crowdfunding and cooperatives.

CONTACTS

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BACKGROUND

The Citizenenergy Project

Citizenenergy - European Citizens for Renewables is a European project funded by the Intelligent Energy Europe Program (IEE/13/403SI2.675223) that aims at creating an EU-wide platform for citizen participation in renewable energy projects. This project brings together the worlds of renewable energy crowdfunding and renewable energy cooperatives for the first time in a single online platform that displays investment opportunities, and other forms of engagement, for citizens all over Europe to participate in the energy transition.

The project aims at boosting effective citizens’ engagement and investment in renewable energies sources (RES), promoting synergies between RES projects and the transfer of key RES business models and at setting up a European network of citizen RES policy, bringing together relevant citizen energy initiatives. Citizens’ engagement with renewable energy is growing but there are still barriers that hinder this engagement into actions. CITIZENERGY’s main objective is to reduce these barriers and to offer citizens a tool that will enable them to invest in local renewable energy projects across Europe.

³ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC



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CITIZENERGY

Crowdfunding platforms and cooperatives both enable individuals to directly invest in sustainable energy, but it is difficult to get an overview of the possibilities. Citizenergy changes all this. Made possible by European Union funding, Citizenergy is the first platform to encourage cross-border investment in sustainable energy and the first to provide information on sustainable energy opportunities from both crowdfunding platforms and cooperatives. It reinforces the work of such organisations in financing renewable and energy efficiency projects, increasing their reach while promoting transparency. The Tripadvisor of our sustainable energy landscape, Citizenergy is a valuable resource for individuals looking to get involved in the energy revolution. citizenergy.eu

SUPPORTING ORGANISATIONS:



The Citizenergy consortium consists of the following organisations:



OTHER SUPPORTING ORGANISATIONS:



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