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Access to Capital for Community Energy

RES Project Development Guide

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Dissemination Level	
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Table of Contents

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Introduction

Community energy projects are projects that are at least partly managed by citizen cooperatives or energy communities. They have different financial needs based on the type of the project that is financed and the time when they receive financing.

The EU funded project ACCE: Access to Capital for Community Energy will develop and scale up innovative and collective financing tools for energy communities. Building on lessons learned from the cooperative movement and implemented project, the stakeholders are now looking to create successful funding concepts at the European level: Community Energy Financing Schemes (CEFS).

The aim is to bring together national and regional funds to support the growth of local projects. ACCE marks another next step in the successful energy cooperative work, the aim is to build on existing learning and meet the need for capital to finance European community energy. ACCE will provide energy communities with access to financing.

As part of the project, the ACCE partners had to each come up with a plan to financially support the energy communities existing in their countries, based on the type of projects that needed to be financed and the level of maturity of their local energy communities.

The reflection around the replication plan of the ACCE partners allowed them to identify the main type of Community Energy Financial Scheme (CEFS) that energy communities would need in their countries. The definition of what constitutes a CEFS is detailed in Annex I of this guide.

This guide is the result of those reflections and outlining the 5 main types of CEFS that the energy communities could use in the countries of the project partners. It identifies the main characteristics and success factors of each of those CEFS and provides examples of existing CEFS.

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Financial needs of community energy projects

Various sources of financing are available to fund energy projects. The adequate source depends on the technology, size and on the stage of the project. The ACCE project partners have identified the various financial needs of projects at different stages.

At its **early stage** (emergence phase), the feasibility and economic viability of the project is quite uncertain. Therefore, any investment presents a high risk. The available tools to finance the project are therefore grants and voluntary work from the project leaders.

During the **development phase**, once initial feasibility has been determined, more technical studies and the request for administrative authorisation and permits have to be made. This phase also presents high risk and investment, and therefore comes from private players, grants or equity investment from the project's owners.

Once the authorisations, permits and studies are secured, the **construction phase** can begin. As such, this phase presents less risk and the business model of the project can be defined. These elements of certainty explain that this phase is often largely financed by loans provided by banks. Banks require that projects have a minimum of cash (equity from investors) and will grant loans often corresponding to 80% of the project costs. Community energy projects often raise debt from ethical banks.

Finally, once the installation is built, the **operation phase** begins, where ongoing curtailment strategy and maintenance is required to ensure the installation operates efficiently, as well as the volatility of energy prices on the market is under control. Overall, the risks are rather small compared to the other stages.

Below is an overview of the available sources of financing for energy projects by stage of the project.

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Sources of financing for energy projects

The adequate financial tool (Community Energy Financial Scheme or CEFS) to finance a community energy project will depend on the type of project, the phase that is financed, the country where the project is located and the maturity of the community energy sector in that country.

The main types of CEFS identified by the ACCE project partners

As part of the project, the ACCE partners identified 5 main CEFS answering the following needs

- CEFS 1: I need money because my projects have no economic model
- CEFS 2: I want to finance several small projects and reduce my risk
- CEFS 3: I need a player to provide long-term investments to my mid-size and/or large projects
- CEFS 4: I want to dilute my risk and develop larger projects
- CEFS 5: I need short term large advances at critical stage of my projects

This guide identifies the main characteristics and success factors of each of those CEFS.

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CEFS 1: I need money because my projects have no economic model

Finances the building phase of small and none profitable projects

Type of projects	**Type** - Renovation - Energy saving measures - Small PV projects **Size** 500K€ investment **Phase** Construction
Why a CEFS?	- I need money because my projects have no economic model (ex. ceiling on electricity price) - I need to make a grant programme available to community projects
CEFS characteristics	**Product**: grant, equity, soft loan **Source**: grant (grant programme that do not yet target citizen projects) or donation (philanthropic funder interested in other things than profitability)
CEFS success factors	- Potential for replication - Standardisation of project selection process, selection document and business plan - Good pilot projects - Good communication skills (CEFS and project owners) - Limited time spent in reviewing projects (especially for smaller projects) - Long term investment (10-15 years if loan ; 20-25 years if equity) - Fees : charge admin fee and / or monetise or limit the time spent

💡 **Tips**

- Use existing subsidy plan and to convince your government to include energy cooperatives or communities in the schemes or to create a similar scheme for energy cooperatives or communities
- Convince your government to grant the subsidy to an intermediary that will subcontract to cooperatives
- Mitigate risk of change of subsidy policy after 2-5 years: plan for short term investment scheme

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CEFS 2: I want to finance several small projects and reduce my risk

Finances the building phase of small projects

Type of projects	**Type** Small roof PV projects **Size** 10-100kw **Phase** Construction
Why a CEFS?	- I want to finance several projects at the same time and reduce my risk - I want to benefit from economies of scale (ex. when buying equipment)
CEFS characteristics	**Product:** equity, loan > option 1: group projects as one project is too small for banks (large share offer via an investment vehicle for several projects to then refinance several projects as one by a bank) > option 2: fully fund small project in equity with limited time spent in review **Source:** - philanthropic organisations - equity fund focused on impact investment - crowdfunding/crowd investment platform - crowd investment from individuals, family investment boutiques, small companies - other cooperatives or energy communities - banks (most likely local or ethical)
CEFS success factors	- **Standardisation** of project selection process, selection document and business plan - Team with market knowledge - Long term investment: at least 10-15 yrs - Find a way to monetise administrative fee - If acting as a shareholder, have separate staff for analysis of investment

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	opportunities and investment monitoring

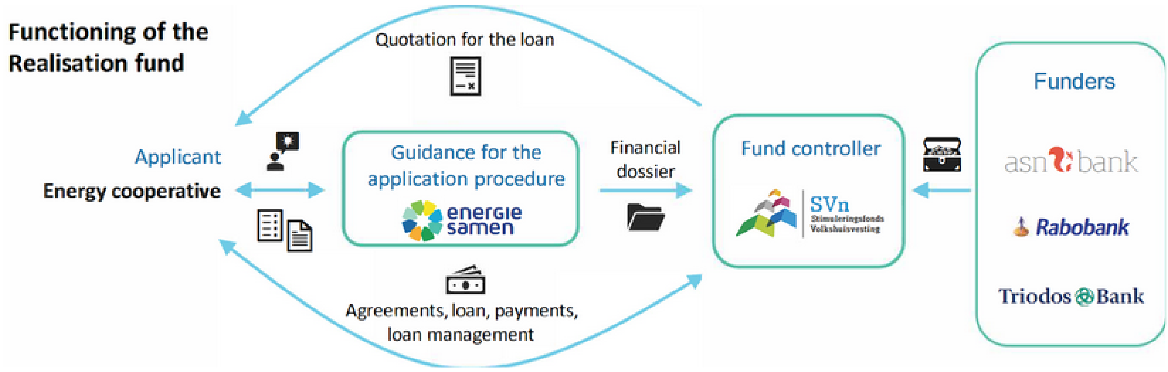
💡 **Tips**

- CEFS internal tools: have one portfolio and one project business plan for analysis
- Project support: provide template documents and business plan
- Include an administrative fee and plan to cover the time spend to coach if that is planned in the process

Example of CEFS

The Realisation Fund of Energie Samen (the Netherlands)

The Realisation fund, managed by Energie Samen in the Netherlands, funds the construction stage of medium size PV projects. It was built in 2021 following an agreement between Energie Samen and three ethical banks. The CEFS is an intermediary between banks and projects.



Energy4All (the UK)

In the UK, the cooperatives that Energy4All helps create raise funds through public share offers, offered to local citizens and public authorities. It acts as an intermediary for a network of cooperatives.

Energy4All provides assistance to cooperative energy projects by:

- Developing long-term business cases
- Supporting the project through the planning process

- Overseeing project construction
- Managing the continued operation on behalf of the community
- Supporting the independent cooperative board

Energy4All gets most of its funding from:

- Development fees paid by cooperatives on delivery of a successful new project.
- Annual membership fees paid by the cooperatives - for services provided by E4All.

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CEFS 3: I need a player to provide long-term investments to my mid-size and/or large projects

Funds building stage of mid-size projects

Type of projects	**Type** Mid size and large solar, wind **Size** - 3-30 MW, - Minimum 1M€ investment - CAPEX 5-30M€ **Phase** Construction
Why a CEFS?	- I need a player with a long-term investment offer adapted to my projects - I need to reinforce my equity for bank requirements
CEFS characteristics	**Product:** equity, loan (with different interest rate based on risk profile of project) > option 1 : acts as a go between with funder or investor > option 2: acts as active shareholder **Source** - equity fund focused on impact investment - crowdfunding/crowd investment platform - crowd investment from individuals, family investment boutiques, small companies - other cooperatives or energy communities - banks (most likely local or ethical)
CEFS success factors	- Team with market knowledge - Long term investment: at least 10-15 yrs - Less standardised processes and project business plan, longer analysis is required - Find a way to monetise administrative fee - If acting as a shareholder, have separate staff for analysis of investment opportunities and investment monitoring

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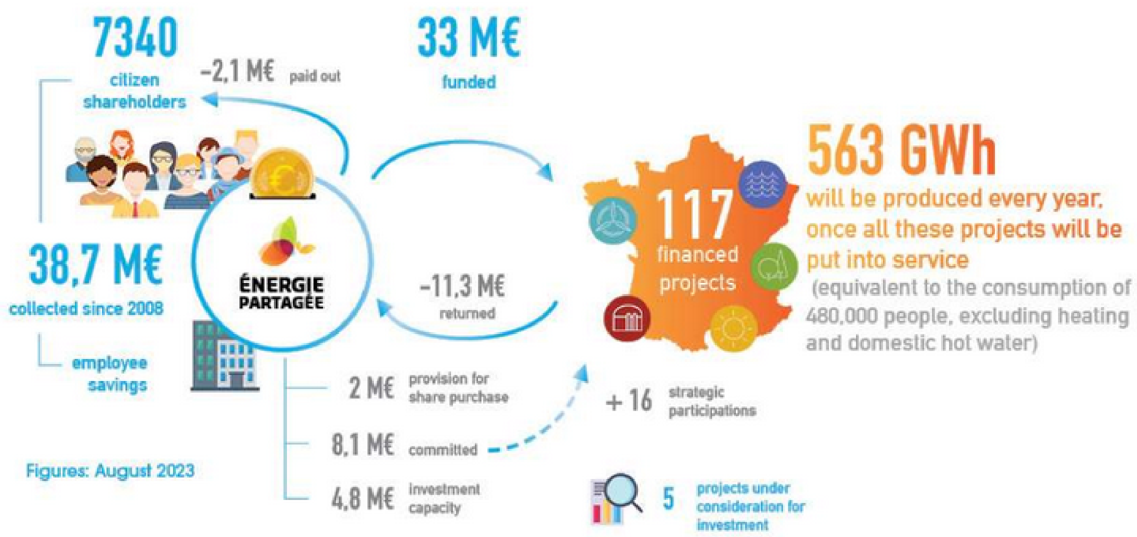
💡 **Tips**

- Include administrative fees in the loan (fixed % of lump sum)
- Take care of project management only if no one is capable to do so

Example of CEFS

Energie Partagée Investissement (France)

Energie Partagée Investissement is a fund that focuses on financing the construction phase of citizen energy projects in France. It collects savings from citizens and invests them as equity in the capital of citizen renewable energy project companies. Energie Partagée currently owns a revolving fund that finances citizen projects across France. It raised a total capital of 38.7M euros owned by 7340 shareholders. Equity investments are made at construction stage to target an overall return on investment of 4%, after having paid Energie Partagée running costs.



CEFS 4: I want to dilute my risk and develop larger projects

Funds development for wind and mid-size solar mid-size and large projects

Type of projects	**Type** Wind (onshore and offshore) and solar **Size** - 1-30MW - development budget of 100K€ to 1M€ - investment up to 500K€ **Phase** Development
Why a CEFS?	I want to dilute my risk and make larger project grow
CEFS characteristics	**Product** - Loan or equity **Source** - Government and local authorities - Philanthropic organisation - Private and public equity funds, public holding fund, pension fund (all focused on impact investment) - Crowdfunding/crowdinvesting platform - Crowd investment from individuals, family investment boutique, small companies (only if risk is mitigated by another actor) - Other cooperatives/energy communities
CEFS success factors	- **Product**: development budget spent in tranches with different requirements based on risk profile - **Critical size** of development services (reduction of costs) - **Past experience** as financing tool - **Clear offer** focused on added value (do not intake all aspects of development but focus on what the CEFS can bring to the table) - **Strong market knowledge** - **Knowledge of market actors** - **Monetise your risk** with a success fee (most likely higher risk taken by another actor)

	- Find a way to **value your input** - **Strong support system** to make sure the project is successful - Development budget include internal and external costs - Acting on the back of another financing tool for risk dilution is better

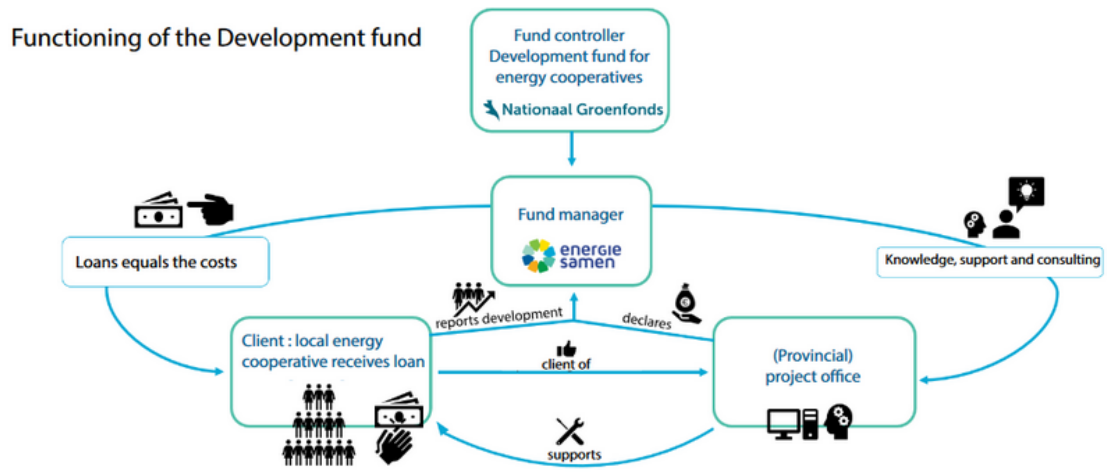
💡 **Tips**

- Split up the development phase in sub-phases with different risk profiles and funding amounts
- Spend your investment in tranches with different requirements and investment valuation at each stage
- Exit at the end of the development phase, potentially having another of your financing tool buying your shares
- Development budget: value external costs but also internal costs (including volunteer man days)

Example of CEFS

Energie Samen development fund (the Netherlands)

Launched in 2021, the Development fund finances the development costs of community energy projects in the Netherlands. It is funded through public funds coming from 4 provinces and the national government and managed by a fund controller and Energie Samen.



EnRciT (France)

EnRciT is a French development equity fund managed by Energie Partagée. It is dedicated to investing in equity in the development of citizen projects in France. It was launched following a ten-million-euro investment from three investors: a public fund, an ethical bank and a pension fund. EnRciT was then purchased by Energie Partagée in order to change the fund's investment strategy and to meet the need of citizen energy projects locally.

The fund is now a part of Energie Partagée's investment vehicle that mainly funds the less risky construction stage of the project and dedicates 8% of its funds to finance development. EnRciT gets compensated via success fees and sometimes charges development services depending on the project. When the construction phase begins, EnRciT often sells its shares to other investors or to Energie Partagée Investissement (Energie Partagée construction fund), giving Energie Partagée a full project perspective.

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CEFS 5: I need short term large advances at critical stage of my projects

Provides bridge capital for pre-building phase

Type of projects	**Type** Heating, mid size and large wind and solar **Phase** Pre-construction (before financial closing)
Why a CEFS?	I need short term important advances at critical stages of the project
CEFS characteristics	**Product:** short term equity/quasi equity investment (using equity and shareholder loans) > option 1: shareholder bringing bridge capital with interest rate (similar to bank but added value / less demanding) > option 2: acts as a go between with bridge investor / funder **Source** - Bridge loan fund - Private and public equity funds, public holding fund, pension fund (all focused on impact investment) - Crowdfunding/crowdinvesting platform - Crowd investment from individuals, family investment boutique, small companies (only if risk is mitigated by another actor) - Other cooperatives/energy communities
CEFS success factors	- **large portfolio** to bring potential large investment - large risk : need to **limit the investment size** - **make sure the refinancing is validated** - **past experience** as financial tool - **acting on the back of another financing tool** for risk dilution / full picture investment

💡 Tips

- Make sure the refinancing is validated
- If advance on subsidy: **flexibility** in case regulatory regime evolves

Example of CEFS

Energie Partagée Investissement (France)

Energie Partagée supports heating projects by investing in local community actors (one legal entity) that group citizen cooperatives, local authorities and private actors (mostly specialising in the wood sector) in their shareholding. Those local community actors have a portfolio of small community heating projects.

Energie Partagée finances small heating projects (wood heat & heat pumps, solar thermal, waste heat recovery, geothermal) by investing directly in the local community actors that carry out those projects. The projects have an approximate size of 200-600kw (max. 1MW) and mostly involves wood heat. Those projects are largely subsidised by a national heat fund that finances studies and construction investment. Energie Partagée becomes a shareholder and makes short term large advances on those grants as well as long term investment but on a smaller scale. Energie Partagée also supports those actors by providing them with tools and advice on their investments.

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Annex I: Definition of the Community Energy Financing Scheme (CEFS) concept

In defining the notion of CEFS, the ACCE project partners highlighted four main dimensions differentiating Community Energy financing from traditional financing mechanisms.

The four identified dimensions allowing to define a CEFS are:

- **Targets**: this dimension refers to the types of projects in which CEFS invest, and mainly analyses the degree of citizen control and community benefit of the financed projects.

  The project partners agreed that target projects must involve citizens and create positive value at the local level.

- **Institutions**: refers to the organisations that manage the CEFS and their ability to support community energy projects.

  The partners agreed that a CEFS must involve a community energy network representative to ensure the capability of the fund to perform the necessary support to projects, and to guarantee the stability and relevance of the investment policy.

- **Sources:** it refers to the origin of the funds managed by the CEFS and the objective pursued by the investors, that is, if they look more for the public or private interest.

  The ACCE project partners agreed that the transparency around the origin of the funds utilised by the CEFS is key.

  Lastly, the partners recognized that different types of sources are needed to finance the different project phases.

- **Products:** refers to the final product offered by the CEFS, which will oscillate in a range between grants, debt and social capital.

  Partners feel that all types of financial products are welcome to be delivered by CEFS. The key issue to tackle seems to be pursuing the de-risking of investment for private consumers – and therefore all tools pursuing this agenda might be suitable.

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Many partners highlighted the fact that community benefits (social, environmental, and economical) must be considered, along with the wish to avoid speculative investment.

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