



SCCALE  
203050



# Financing guide for energy communities



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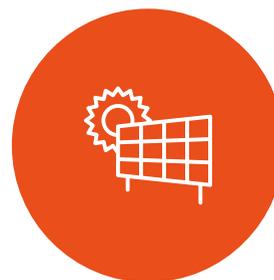
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# 1. Introduction

## Why this guide?

Finding finance for your community energy project is hard. That applies to all of us. Most of us did not start to engage ourselves in the citizen-led energy transition because of a deep-rooted passion for finance. Some of us discover their interest in numbers, fundraising and balance sheets along the way. For others, it will always remain the part of the job that just has to be done in order to make your dream happen.

Financing community energy projects is more than just making sure that the right amounts of money flow in and out of the project. It is also highly linked to questions like “how do we safeguard our autonomy?”, “how do we facilitate access to our community in a way that allows everyone to participate?”, “how do we see our community evolve in the short and in the long run?” and “how do we want to approach potential members of our community?” A financing approach that does not match with the philosophy of the renewable energy projects of the community and with the wishes of the members, will impede the development of the energy community.

With this guide, we want to provide you with a very first introduction to community energy financing. We strived to make it easy to read and hands-on by sharing 14 practical and recent financing stories of European energy communities. Each one includes key references where you can find more information. We would also like to thank all the partners that were interviewed for their time and cooperative contribution and hope it will inspire you.

We also know that financing is not the only barrier energy communities encounter on the way. More often than not, politics, unclear policy or citizen engagement represent greater obstacles to the development of citizen-led renewable energy projects than money. If you are struggling with those, you might enjoy reading the methodological and the municipal guide that have been developed in the SCCALE 20 30 50 project as well. They can be found along with a lot of other useful resources on the **Energy Community Platform**.



This guide has been developed in the context of the SCCALE 20 30 50 project. The overall aim of this Horizon 2020 project is to support and enhance the growth of energy communities in Europe.

Our activities particularly target energy communities that engage in renewable energy production, energy efficiency services and district heating. We are developing a series of tools that will support the growth and development of energy communities across the EU. These tools will first be tested in and with pilots in five Member States before being replicated to other communities across Europe.

→ [sccale203050.eu](https://sccale203050.eu)



### What can you find in this guide?

Are you still really new to financing community energy projects? Then chapter 2 provides you with all the basics you need: how to get started, the relation between project phases and financing, the impact of financing on ownership, and how to make a financial plan.

In chapter 3 you will find more details on the different types of financing i.e. equity financing, debt financing, grants and public support. The way that these financing types are being used is illustrated by several examples of energy communities.

### What can you find elsewhere?

When you feel inspired and ready to learn more, we invite you to have a look at the references at the end of this guide. As the movement is evolving quickly, you might also want to take a look at the resource section of the **Energy Community Platform** for the latest publications and tools. Additionally, we want to specifically highlight the following four publications that are complementary to the guide that lies in front of you.

#### ☛ Compile Financing Guide

Just as the SCCALE guide, the Compile Financing Guide presents an overview of models that energy communities may consider to finance their activities and projects. Yet, you will find more detailed information on the structure of a balance sheet, different examples from the field per financing scheme, and additional information on topics such as what happens when traditional actors try to take financial advantage by copying energy communities without following the same principles (so-called FINcoops). Access the guide [here](#).

#### ☛ "Energy Communities in the EU – opportunities and barriers to financing” – Report by Friends of the Earth Europe and Profundo

Are you looking for more information on the European policy environment guiding energy communities, European funding opportunities and policy recommendations? Then this recent report will provide you with an accessible overview. Access the report [here](#).



Solar farm La Matallana by Som Energia Cooperativa. License CC BY-NC-SA 2.0

#### ☛ Report on novel financing instruments for RECs – report by COME RES

In this report you find country specific information on existing financing instruments for energy communities such as tax incentives, renewable energy certificates or specific local bond mechanisms. Instruments in the following eight countries are discussed: Belgium/Flanders, Germany, Italy, Latvia, Norway, Poland, Portugal and Spain. While in this SCCALE guide we tried to focus on financing schemes that are feasible in all contexts regardless of the regulatory context, it is still recommended to check the relevant national regulations. Access the report [here](#).

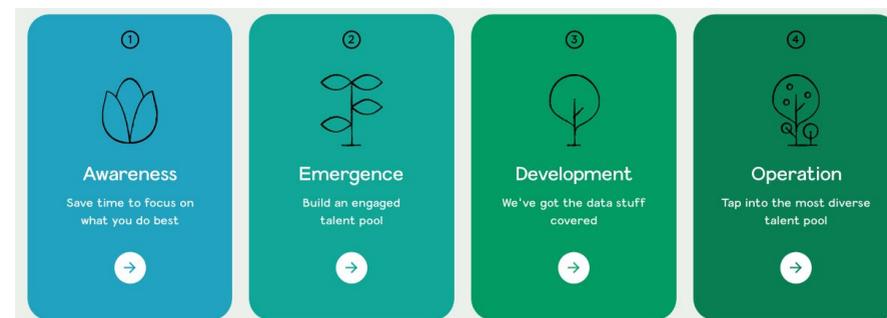
#### ☛ Handbook on investment schemes for REScoop projects

If you are doubting which financing scheme is the right one for your project, this handbook will offer guidance. Based on a matrix with dimensions such as technical and legal features that range from simple to complex, and business and governance models that range from collective to private, it visualizes which financing schemes best answer the needs of your project. Access the handbook [here](#).

## 2. Getting started

**This chapter provides you with some basics on financing community energy projects. We run through a set of questions that many fledgling energy communities are faced with, providing you with a rough first introduction that includes tips on where to look for help.**

However, this information might not be specific enough for the project you are working on. We would advise you to professionalise your financing skills and knowledge. Don't forget that one of the great things about energy communities is that you are not working alone. If everyone in your group taps into his or her talents and skills, it is quite likely that there will be someone that is fond of numbers and balance sheets.



Source: <https://energycommunityplatform.eu/>

### Which stage is your energy community in?

An energy community is a group of local actors (including citizens) that organise themselves in a democratic way to take ownership in energy transition projects and speed-up the energy transition to energy democracy. Energy communities typically follow four different stages throughout their lifetime: inspiration, preparation, implementation and operation. Importantly, each stage comes with a specific financing need. If you are curious as to what stage your energy community finds itself at the moment, you can take a test at **the Energy Community Platform** and learn which financing and other resources can be helpful at for the stage that you are in.

### How does the type of financing impact ownership?

There are two main types of financing: **equity financing** and **debt financing**. It is important to understand the difference between the two, as both have completely different consequences for the activities of your energy community.

Most importantly, the choice of the financing type can influence the autonomy of the energy community. In an energy community that is 100% equity funded by many citizens, the full control on all assets and strategic decisions lies with the members. With strategic investors, often there is a decrease in control or ownership of the citizens. This is because external parties investing debt financing in your project can ask you to meet their requirements.



For example, a bank can require that you have a certain amount of cash in your account. Or that they can give approval on certain other activities you want to set up by requiring a seat on the board. Also, banks usually require an equity investment of at least 30% that they can claim in case of project failure. By meeting this requirement of a minimum percentage of equity, you prove to investors that you are ready to take responsibility and that you do not devolve all the risk to the bank. The greater the part you can finance yourself through equity, the less the bank's requirements will be. This is why energy communities often opt for 50% to 100% equity and up to 50% debt financing.

That means, the higher the degree of debt financing, the bigger the say or the influence of external parties. This is why, for every activity you consider raising funds for, carefully choosing the appropriate type of financing is key.

Besides equity financing and debt financing, there is a third, special type of financing: funding that energy communities receive for free are considered a grant. This includes a public subsidy, a private donation, or an award. Grants never have an impact on ownership, but often imply a certain amount of paperwork.

You'll find illustrations of all three financing types in chapter 3.



## What are the other differences between equity financing, debt financing and grants?

Besides ownership, the three types also differ in other aspects, as you can see in the following table.

	Equity financing	Debt financing	Grants
<b>Who can invest</b>	Citizens, municipalities, SME's	Typically banks and funds, but also citizens, municipalities and SME's	Public authorities, charities, funds, companies, citizens
<b>Investor becomes a member</b>	Yes	No	No
<b>Duration of investment</b>	Long-term Duration not specified	Short-term Duration is specified	Depends
<b>What does the investor get back</b>	Right of control of the organisation or a project. Promise of a share of the future success (dividend)	Financial remuneration for lending capital and accepting the risk (interest). With subordinated loans, there might be additional conditions.	Nothing
<b>Advantages compared with other forms</b>	More flexible Cheap Control remains with the energy community	Bigger group of potential investors Potential fast provision Leverage effect at low interest	Free funding
<b>Risk for the investor</b>	Last to be paid back in case of failure	Regular loans are first to be paid back in case of failure. Subordinated loans are second, between loans and equity.	Misappropriation
<b>Forms</b>	Share	Loan, bond	Grant, subsidy, donation, award

## What about crowdfunding?

Did you notice that crowdfunding is missing from the above table? Indeed, the use of crowdfunding is becoming increasingly widespread throughout society, and also within the community energy movement. Actually, it is another way for energy communities to collect all three types of funds mentioned before: equity, debt financing or grants (donations). The implications differ for all parties involved and must be clearly communicated to the investors.

### Equity crowdfunding

In return for shares, investors get ownership and a promise of future profits.

### Debt crowdfunding ("crowdlending" or "crowdinvestment")

Investors give individual loans in return for interests only, no ownership involved.

### Donation based crowdfunding

Investors receive no return at all, nor financial nor in terms of ownership.

The ramifications for ownership are the same as described above. Especially transparency on crowdlending is important, as it is a way to receive individual loans from citizens. The interest but also the risk of these loans might be higher than average. It should always be clear to citizens if they are providing you with equity or debt funding and what the impact of project failure means to their investment (see later on: "What happens if things go wrong?").

There are also some specificities concerning crowdfunding. Typically, crowdfunding is organised via online platforms – a service that you have to pay for, resulting in a cost that you have to take into account when making the financing plan. As it is online, it has a huge potential to reach investors, while on the other hand, the geographical proximity and personal relations that characterise many energy communities is smaller. The administrative requirements of crowdfunding campaigns are often limited compared to other types of financing. However, in some EU countries, national legislation on crowdfunding activities apply that it is best you are aware of when preparing a crowdfunding campaign.

You can find examples of the three different types of crowdfunding in chapter 3, from page 25 on.



District heating network Warmte VerZilverd in Mortsel, Belgium – (c) Ecopower

## What is the difference between financing projects and financing organisations?

There is a difference between financing community energy projects such as solar installations, collective retrofitting or e-car sharing services, and financing the organisation that carries out (parts of) these projects: the energy community itself.

Regarding the **financing of the organisation** that carries out these projects, typical costs for the latter include human resources, office space and IT material. The financing and the ownership of these costs do not depend on a specific project. In order to create long term organisational stability and maintain democratic control, these costs should absolutely be financed with equity.

Concerning the **financing of projects (services and installations)** this can be done both by equity, debt financing or grants. They typically follow three distinct stages:

1. Preparation stage: technical, legal and financial feasibility study, obtaining the necessary permits and licenses, assessing the risk
2. Implementation stage: building and installation of the plant or setting up of the service
3. Operation stage: maintenance of the plant or service

It is important to clarify how much and which kind of financing you need per phase, and it can be helpful to separate financing strategies per phase.



### Why is it so hard to get the first funding and how to solve this?

Generally, the preparation stage is considered the phase with the most risk: here, it is not yet clear if the preparatory work will lead to a viable project that can recover the investments made at the start; or if all the initial study work will have to be paid by your reserves. This is why many energy communities find it difficult to find financing for this stage.

To tackle this problem, specific rolling funds have been set up that provide funding specifically for the preparation stage. Once the project is effectively being realised, these funds are converted into a loan that has to be paid back by the project income. If the project does not survive the preparation stage, the fund is converted into a grant which means that the money you received does not have to be paid back. You can find an example of this kind of funds in chapter 3 (page 36).

It is much easier to raise funds once you have a track record and have completed your first project. Then it becomes a lot easier to get buy-in from a wider audience

as investors can see that you are able to raise capital and realise a successful project. Funding from friends, family and pioneers can be a solution to take those very first steps. Often, there are also specific possibilities in member states' tax laws to support this.

Another possibility for funding the preparation stage is to offer shares, promising potential members a share of the future profit of the RES project or services. Check the example of GoiEner (page 28) for an example on shares as seed capital.

You can find other examples of revolving funds that finance the development phase in the **SCCALE Municipality Guide**:

- **CARES scheme in Scotland** (p.34)
- **Development Fund of Energie Samen in the Netherlands** (p.61)

### Is it better from a finance perspective to run all projects within one organisation or to set up one company for each project?

Energy communities who choose to only have one legal form integrate all projects in one organisation. That means that both the assets (all installations and the equity) and the debts and its financing (payment of loans and interests) are carried by one organisation alone. This model easily provides transparency both to members and financiers and prevents you from having to set up and manage different legal entities. The flipside of this is that investments are always for the entire company and it is more complicated to identify separate risks.

However, there are also advantages in deciding to create separate entities per project (sometimes called "special purpose vehicles" or SPV's). The risk is spread across several organisations, so that when one project fails, the energy community as a whole is not impacted. Also, accessing financing for one specific project is often more easy equally for equity and for share funding, as communication can be focused on the specificities of the project.

### Why do we need to set up a financing plan and how to do it?

A financing plan is not only something that your members or external financiers want to see, essentially it is a key document that can structure the conversation in your group. It helps you gain insight in the financial return you expect from your projects, in the specific financing you need, in the types of financing that are available to you and in the choices you want to make concerning ownership and risk. Most of the time, it covers three parts i.e. the strategy, a cash-flow analysis and a fundraising plan. To give you an idea of how this could look like, below is a checklist of aspects that should be included for each part.

Importantly, the financing plan should not be a stand-alone document. It needs to be clearly linked with your overall business plan, including the legal statutes of your energy community, the way you want to deal with risk, or how you want to reach out to the community. This is why the financing plan often represents a chapter in the business plan.

For an example of a cooperative business plan, have a look at **the model business plan of the Federation of Australian REScoops** that also served as basis for the table below.



### The financing plan strategy

This part adopts a more long-term perspective, including the financial consequences of strategic targets you set yourself and the parameters you fix.

Title	Description
<b>Start capital (new energy communities)</b>	<b>Confirmed capital raised:</b> amount of equity that has been raised and will be raised from members, and of equity and debt financing confirmed from other sources.
	<b>Set-up costs:</b> costs to start the energy community. Provide a table that shows the month when the costs are expected to be paid. Think about all the costs associated with setting up the energy community (legal fees, communication, insurances, purchase of equipment and plant, wages, interests,...)
	Subtract the set-up costs from the confirmed capital raised. The balance is <b>the amount you need to borrow</b> .
<b>Financial objectives</b>	List the cooperative's <b>financial objectives</b> and how long you expect it will take to achieve them, for example profit targets, returns to members or debt repayments.



<b>Assumptions</b>	<p>Explain the <b>key assumptions</b> made in developing your financial forecasts:</p> <ul style="list-style-type: none"> <li>• the forecasts of sales and purchases</li> <li>• the time you expect it will take to collect debts</li> <li>• the time you expect it will take to pay creditors</li> <li>• interest rates</li> <li>• expected time between development and operation of the energy service or RES plant</li> <li>• expected timing of member contributions</li> <li>• expected timing of external capital injections (e.g. grants,...)</li> <li>• expected increase of members in your energy community.</li> </ul> <p>If your energy community is already operational, describe its financial history, including equity, debt and profit.</p>
<b>Ratios</b>	<p>Include at least four key financial ratios:</p> <ul style="list-style-type: none"> <li>• <b>Debt equity ratio:</b> this is the total of your liabilities divided by the total of members' equity</li> <li>• <b>Return on investment:</b> this indicates how profitable the project is and is often indicated as a percentage.</li> <li>• <b>Break-even point:</b> that is the sales volume level where revenues and expenses are equal and provide no profit or loss. This will change each year with changes in costs, income, and interest levels.</li> <li>• <b>Working capital:</b> this is current assets minus current liabilities</li> </ul>



### Cash-flow analysis

This part is all about the daily changes in your bank account i.e. how much money leaves and enters the energy community on a daily basis? What income and payments do you expect in the upcoming period? It should be adapted regularly. During the first year you should work with monthly forecasts, later on you will be able to provide forecasts for several years.

Title	Description
<b>Monthly cash flow forecast</b>	The cash flow forecast demonstrates <b>how and when cash comes into and goes out of the cooperative</b> . It is a table that combines the inflow of funds such as member contributions, loans received and the outflow of funds such as expenses, loan repayments or distribution to members per month. It will show you when you need an injection of cash to cover monthly bills, and when you need to conserve cash to pay for upcoming bills.
<b>Monthly income and expenditure forecast</b>	Also called 'profit and loss forecasts' or an 'income statement', income and expenditure forecasts show the energy community's <b>projected income minus expenditures, resulting in a profit (or loss) over a specific period of time</b> . Income can be sales, donations or grants. Expenditures are costs to run the energy community, such as materials, interest payments or subcontractors. When you receive an invoice it is an expense, even if you haven't paid it yet; so it is shown in the month the expense was incurred.  Loans (liabilities), purchased equipment and inventory (assets), capital injections from members (equity) are all items for the balance sheet (see below) and do not figure in the income and expenditure forecast.
<b>Balance sheet forecasts</b>	The balance sheet, also known as the 'statement of financial position', is a snapshot that shows the energy community's <b>net worth at a particular point in time</b> – usually the last day of the financial year. The net worth is calculated by subtracting liabilities from assets, which equals equity. Assets are usually objects and cash the business owns. Liabilities are usually debts owed. You should provide balance sheet forecasts for three years.

### Fundraising plan

In this part, you describe how you will raise the money needed and provide transparency on the status of the fundraising. Where will funds come from? Have they been confirmed? How much comes from each source, and what conditions do funds come under (e.g. interest rates, repayment terms)? What security is offered? When will members see a return? Include those parameters that make sense to your energy community, and update the fundraising plan whenever your targets or the context change.



### What is the best moment to start raising funds?

Unfortunately there is no standard answer to this question. However, it makes sense to take some time, first to develop a decent financing plan, to talk it through and inform yourself. Also it is highly recommended that you identify a first project before you start collecting funds. The more specific you can be on the project or service you want to develop, its expected costs, risks and returns, the easier it will be to convince potential investors to support your project. You would also prefer to put your spare money into financing a clearly described idea rather than into a vague dream (even if it is a very nice one), right? Also, it is advised to not be too hasty to start paying staff as long as you are not sure there will be sufficient income for this.

### What happens if things go wrong?

It is advised and sensible to start thinking about the consequences if a planned project fails or a service is not being accessed as expected. Although you hope this will never happen, it will help you build an even stronger financing plan by thoroughly thinking through the eventualities of risk and failure. This due diligence is also what both members and external financiers expect from you. This means that the risk of investing in your energy community should very clearly be communicated to your investors.

You need to openly look at the worst case scenario for your energy community and the consequences for the different actors involved. For example, what happens to whom if the energy community is no longer able to pay back its debts to external financiers? In this case, a trustee is appointed who sells the properties of the energy community. With this income, the trustee compensates your investors. If the income is too little to compensate everyone, the following sequence will be maintained:

1. The first to be compensated are those investors that provided you with debt funding in the form of loans
2. If there is still money left, also those who provided you with so-called mezzanine financing or subordinated loans will be reimbursed.
3. Shareholders who provided you with equity come last and thus carry the highest risk of not getting their money back in case of insolvency. Indicating this risk very clearly to citizens interested in buying shares is key.

#### Who can help you?

Those of you who require more details after this first basic introduction are invited to have a look at the **references at the end of this guide** (page 68). In these reports, you'll find more detailed information on the topic of financing of renewable energy projects in the hands of citizens. You will find even more material on the **Energy Community Platform**.

Rather want to talk to someone? Check out the **'expert section' on the Energy Community Platform**. It is still currently being developed, but this will be the place where you will be able to find and contact members of the energy community movement with specific skills. Don't hesitate to contact them. You can also find members of the community energy movement in your area on the **website of REScoop.eu**. Maybe there is a project closeby or operating in your language.

If you are looking for someone that can indicate similar projects that can be inspiring for what you are working on, or for information on EU level policy developments. **The team of REScoop.eu** will be happy to help you out.

If you need more structured or technical assistance. Then the Energy Community Repository might be the thing you are looking for. Follow **this website link** to find out when their next call is out!

## 3. Working with different financing models

**Now that you know the basic terms and principles of community energy financing, it is time to look into some concrete applications.**

For the different types of financing presented in the previous chapter (equity financing, debt financing and grants), we will describe possible models in greater detail. In order to make it more tangible, the models are illustrated with stories of energy communities that successfully apply the model. You will also find references to more information for each model.

The collection of models is not complete or all encompassing, but is rather meant to inspire you in your quest for the most adequate financing scheme for your project. Maybe the ideal solution to your situation consists of combining these or other schemes. The same goes for the experiences of energy communities described in this chapter. We hope you will be inspired. Please take the time to digest the lessons applicable to your context, but be aware that each energy community project is different and sometimes depends on the national context.





### 3.1 Equity financing

Equity financing means raising capital from new or existing members of the energy community to self-finance projects or services. It is a long term debt from the members to the energy community. In return, members become co-owners of the project including controlling power. They also receive a share of the available profit of the project, for example by an annual dividend. Members can get their money back according to the rules agreed upon.

Generally, equity financing is used for the implementation and operation phase of a community energy project. As the early phase of project planning and development are very risky, most citizens are not eager to invest.

Equity can be raised in two ways:

- By offering shares to new or existing members. Shares can be used as seed capital (cfr. page 28), as funding for one specific project (cfr. page 30) or as non-specific project funding (cfr. page 34).
- By applying for financing at a cooperative fund that invests equity in your project (cfr. page 36).

### Shares

The way shares are being used by energy communities can differ. For example, some cooperatives offer shares at a comparatively cheap price (10 to 50 euro), only implying membership of the cooperative. When you are a member for one year, you are invited to lend to the cooperative. While in many other cases, membership, investment and ownership coincide in a share. It sometimes depends on local (tax) laws.

Also, it is worth checking if there are any national regulations on public share offerings, because you might need a legal document first to inform potential investors about the securities you are issuing and about yourself, a so-called prospectus. As this information is sometimes scattered across different regulations, this can be a challenge. Support organisations like Energie Samen in the Netherlands bundle this information and help their members to define the right steps to organise a share offer.

While shares are a great way to organise participation in your energy community, they can also be a barrier to inclusivity and involvement, especially when the requested amount is too high. How to ensure that vulnerable households have access to your services, while also safeguarding sufficient funding, is a question many energy communities are struggling with.

In this chapter, you will see that there are different objectives to offer shares, as well as different ways to do it. You can use them to get your very first activities started ('Shares as seed capital'), to offer participation in specific projects in return for lower tariffs ('Shares as project-specific funding'), or to finance a diverse range of activities ('Shares as non-specific project funding').

#### Shares as seed capital

Seed capital describes the early investment in a new company in exchange for ownership. Fledgling energy communities can use shares as seed capital to raise the funding for their first project. Investors buy these shares because they believe in the company's promise to carry out successful projects, and because they want to support it during the startup phase. Raising seed capital has a double benefit. Besides collecting the funds needed for your activities, at the same time you demonstrate to future members and financiers that you can raise money and that investors trust your ability to realise profitable projects, even if they might still be small.



Enhercom energy community in Hernani. (c) Goiener

## The story of GoiEner

The GoiEner Cooperative supports the creation of new renewable cooperatives by making use of shares as seed capital. Goiener is both a citizen cooperative for renewable energy and supplier. It was founded in 2012 in the Basque Country and today has 16 500 members. Besides its own production and supply activities, Goiener facilitates the process of setting up local energy communities in other regions of Spain such as the Enhercom energy community in Hernani. In return, Goiener receives a fee from the municipality.

In these facilitation processes they learned that a barrier that many of these starting energy communities struggle with is the obligation to raise a minimum of 3 000 euro of seed capital. The main questions are around how to collect this money long before the first project is yet in sight? And how to do this without excluding potential members who are not able to raise this amount of money?

What GoiEner discovered works well for their situation. They are able to offer different types of shares to different profiles. The cost of a share to be a part of the energy community depends on the respective profiles:

- Citizens: 10 to 100 euro. Vulnerable households can get a discount adaptable according to the vulnerability conditions of the households, in the case the community creates a solidarity fund.
- Paid staff of the energy community: 10 to 100 euro
- Service providers (local companies related to energy): at least 100 euro
- Local institutions and small and medium sized enterprises: 1 000 euro
- Local investors (citizens not interested in being a consumer): at least 100 euro. In contrast to the other types, they get back an interest of 2% on the money invested.

Why should these stakeholders invest in a still fledgling energy community? Through the share, they buy the right to participate in any project that will be produced or developed by the RES projects the energy community plans to develop. Depending on the community decision, the surplus of the production can be sold to Goiener who further share it amongst its members.

Does the difference in the amount paid for the share influence ownership or democratic decision making? No, the percentage of decision making power will be shared between different membership types, assuring that more than 50% of the power goes to the citizens. By offering these tailored entrance fees, energy communities that GoiEner worked with were able to raise the seed capital needed while at the same time growing a diverse member base.

Read more about GoiEner:

→ [goiener.com](https://goiener.com)

### Shares as project-specific funding

Once your first project is realised, you might feel the need to raise more money. If you prefer keeping control in your own hands, or if you experience that banks are hesitant to grant a loan, shares will again offer a solution. Many energy communities choose to offer shares related to a specific project. They offer shares during a specific period of time, until the requested amount is raised. Once the financing goal is reached, the share offer is closed. Project-related shares can only be acquired by members of the energy community and often provide access to a special tariff to purchase the green electricity, as the two following cases show.

## The story of Som Energia's 'Generation kWh'

Just as GoiEner (cfr. page 28) and Ecopower (cfr. page 34), the Spanish energy cooperative Som Energia also sells shares to finance its activities. One share costs 100 euro and entitles members to buy renewable energy from the coop. Som Energia started its supply activities in 2011. It grew fast and now serves more than 80 000 member clients. However, the majority of the energy originates from installations which they do not own themselves and is bought and sold at market price. That means that, by buying Som Energia shares, members get access to green electricity, but still pay the same price as for traditional electricity.

Luckily, Som Energia decided to speed up the development of its own renewable energy projects already before the high market prices. In order to gain independence from the energy market, the cooperative launched the project 'Generation kWh'. How does it work?

- Contributions can be made in energy shares of 100 euro each. With the equity raised, 'Generation kWh' projects are being realised.
- The energy produced by these installations is sold to the market at the wholesale market price (spot price). Afterwards, all the production is divided between the participants.
- Proportionally to the energy shares acquired, the participants are entitled to an amount of electricity produced by the 'Generation



kWh' installations at a cost price that has been fixed by the 'Generation kWh' price.

- Participants get an invoice for their consumption. One part of the consumption at the normal (market) price; the other part that matches with the 'Generation kWh' participation at the lower 'Generation kWh price'. So far, this has translated into savings on the electricity bill.
- An online calculation tool provides insights into the amount of shares corresponding to a certain electricity consumption. To get an idea of some of the figures, the annual consumption of 2 000 kWh for 100% at cost price would require an investment of about 1 200 euro.
- As agreed in the 'Generation kWh' contract, the contribution will be returned within a period of 25 years, without interest.

Until now, 4 600 citizens have contributed about 4,5 million euro in mostly solar installations on land, producing 7 800 MWh of citizen energy. 'Generation kWh' projects are not "energy sharing" projects, and are thus not limited to members within the range of 500 meters (or 2km) around the installation according to Spanish regulations - anybody can invest in the project.

Read more about:

→ [somenergia.coop](https://somenergia.coop)

→ [Generation kWh](#)



Inauguration of the Cerrone wind plant, (c) E'nostra

## The story of E'nostra

E'nostra is an Italian cooperative that produces and supplies 100% renewable energy to its over 10 500 members. They invest in the construction of renewable production plants through member capital (equity). Renewable energy is also purchased from sustainable companies and plants, acknowledging a preference to small producers and cooperatives. Members are also being offered efficiency services and tools for monitoring consumption. Just as Som Energia, E'nostra has its own production plants but the electricity produced is too little to cover the consumption of all members. Having to buy energy at the market price is very expensive under current market conditions.

In order to increase its own production of renewable energy and to offer green electricity at cost price, in 2018 E'nostra decided to set up a dedicated "production fund" to raise share capital and invest in the construction or purchase of new RES plants. The fund aimed at raising an overall declared amount of equity (2,5 million euro), based on the pipeline of projects under development, and had a scheduled duration (10 years). The wind farm "il Cerrone" has been financed through this fund.

In June 2022 the General Assembly approved the establishment of a new production fund with an overall capacity of 2,5 million euro and a scheduled duration of 12 years. This new fund will be employed firstly for the realization of the new wind plant "Il Castiglione", which is currently under construction and will come into operation in spring 2023.

At the beginning of December 2022, E'nostra already collected 2,1 million euro, which means that all the expected electricity production from the wind farm "Il Castiglione" has already been allocated. Members can still invest in the fund, but purchasing the electricity at cost price will only be possible once the next RES installations are realized.

The minimum amount of contribution to the production fund is 500 euro per member, while an 'ordinary' share to become a member of the cooperative is 25 euro and a minimum of 2 shares is required to become a member. There is a double incentive for members to invest equity in the production fund:

- As in the Generation kWh model, members benefit from a special energy price as E'nostra offers two tariffs: the normal (market) price, and a fixed tariff (called "prosumer tariff") for members who invest in new plants through the production fund.
- Additionally, the acquisition of shares potentially provides members with access to an interest rate (only in case there is a budget surplus in the yearly cooperative balance and the General Assembly approves the redistribution of this surplus).

At the end of the scheduled duration of each production fund, members can decide to reinvest their money in a new production fund or to ask for the restitution of their capital.

Learn more about :

→ Enostra

→ Enostra production fund

→ Launch new production fund 2022



### Shares as non-specific project funding

Finally, shares can also be used in a more structural way. That is the case when citizens can buy shares anytime to support the work of your energy community. Such a permanent share offer requires less work, and provides you with a great flexibility on when and how to use the money i.e. when a planned project is delayed, you can still use the money for another one that moves up in the pipeline. Of course you need to be able to regularly report on project development, showing members that you are making use of their equity. The downside of this approach is that it might work less activating than a project-related share offer, when it is very clear to citizens which project(s) they are supporting with their money.



## The story of Ecopower

One of the pioneers of the energy community movement has used a permanent share offer to finance RES production and share benefits for more than 30 years. Ecopower is a Belgian citizen cooperative for renewable energy that invests and develops projects in the fields of solar, wind, hydropower and biomass. In its 30 years of existence, Ecopower has invested about 100 million euro in renewable energy and produced about 900 GWh of green electricity. 55 000 connection points of the 65 000 members receive green electricity in their homes as they are clients of the supply activities.

The vast majority of the RES production installations are financed by the equity the members bring into the cooperative through shares. Ecopower holds almost all projects in one legal structure. By buying a share, members invest in the whole of the cooperative's activities and own a part of all Ecopower installations. It is not possible to invest in one specific project, thus allowing for flexibility and spreading the risk.

A share gives access to the energy supply services of the cooperative, as well as the right to share in the benefits of the cooperative.

The maximum annual dividend members can expect is 6%, although aiming for a high dividend is less important than realising new projects and keeping the energy price low.

Ecopower chooses to ask a fixed amount per share (250 euro) and allows the acquisition of shares at every moment in time. Although it is possible to buy up to 20 shares, 70% of the members only hold one share. That means that there is an average of almost four shares per member. No matter how many shares they hold, all members have the same voting power at the annual general meeting.

The share is returnable after 3 years at the same price of the original input. If paying 250 euro upfront proves a challenge, Ecopower offers the possibility to pay the share in installments.

Read more about:

[→ Ecopower](#)

## Revolving cooperative equity funds

An alternative for organizing a share offer yourself, is to apply for funding from an equity fund. Funds are financing vehicles pooling collective investments. They use these investments to provide organisations with equity funding. Applying for equity from a fund requires some administrative work, and depending on the fund's conditions it might come with a price. Also, as you know by now, investing equity means shared ownership. Yet, in the case of an equity fund, it is a representative of the fund that is taking this role, not each individual investor separately. Equity funds can be used both for the development and for the construction and operation phase. As you can read in the examples below, the first one is a national fund, the second one operates at the European level.

## The story of the Énergie Partagée Coopérative

Founded by the French energy cooperative Enercoop and the ethical cooperative bank La Nef and a pioneer of RES development Solira, the French cooperative Énergie Partagée manages a cooperative revolving fund. 90% of the fund is allocated to investments in project companies in the implementation or operation stage through the equity fund Énergie Partagée Investissement. 10% of the fund is allocated to risk capital investments in project companies in their preparation stage by the development fund EnRciT. Projects in which both Énergie Partagée Investissement and EnRciT invest, are good for the portfolio, cover Énergie Partagée's costs and allow further investments and a return on investment of 4% per year for its investors.

Because both EnRciT and Énergie Partagée Investissement belong to the same fund, there is no difference on the investor's side. The fund collects citizen's savings in the form of shares (currently 1 share is 120 euro). For investing citizens, the return on investment consists of a yearly increase in the value of the share (with an aim of 4% per year). Citizens can sell their share every year by making a request prior to the fund's yearly general assembly.



Mauges Eole Grands Fresne, wind park partially financed by Énergie Partagée Investissement

That way, Énergie Partagée succeeds in mobilising the huge amount of bank savings of individuals, and to channel them towards community energy projects.

The biggest part of the fund, the **equity fund** Énergie Partagée Investissement, enables energy communities to raise the capital required to launch a project while maintaining citizen control. It is accessible for all RES technologies, including biogas and hydro power.

How does it work?

- The fund invests the money raised by shares in equity in the capital of renewable energy and energy saving projects through shareholders' shares and loans between 50 000 euro and 1,5 million euro, side by side with local citizens and/or public authorities.



- Projects are selected by the regional networks of Énergie Partagée. Before making an investment decision, Énergie Partagée's investment team investigates each project to make sure that it meets the requirements set by Énergie Partagée's internal Charter, is financially viable and makes sense for Énergie Partagée's portfolio.
- The fund represents the citizen investors in the governance of the project on a long-term basis.
- If the energy communities involved alongside Énergie Partagée had not been up and running strongly enough, or had not raised enough capital at the beginning of the project, Énergie Partagée can let them gain access to more equity in the project company over time by selling them some of its shares.

This system allows energy communities to grow over the years in terms of members and member capital. It avoids giving away ownership to commercial developers. Additionally, the fund leverages the risk over a whole portfolio of community energy projects which facilitates obtaining bank financing. And it works. At the end of 2021, around 7 000 citizens had contributed around 30 million euro to the fund.



SCCALE consortium meeting 2022 - site visit at Halle Pajol Paris, (c) Michiel Fremouw



The smaller, risk capital investment part of the fund, the **development fund** known as EnRciT, sources capital for the early phases of (mostly bigger) community energy projects, such as legal and environmental studies. The development risk is often higher for individual communities in these phases, and citizens are less inclined to invest in this stage. This is where EnRciT comes in: the fund invests in equity of solar and wind projects and retains its stake in each project until the development is completed. When the construction phase begins, EnRciT sells its shares. EnRciT sells parts of its shares to regional players, including a success fee depending on the size of the project as a reward for the risk taken but also covers its administrative and consultancy expenses. It can also sell parts of its shares to Énergie Partagée Investissement. This allows Énergie Partagée to maintain its presence in the long term, during the construction and production phases of the project, allowing it to be profitable and to invest in further projects. That way, the fund diversifies the risk between different projects and provides stability that other investors need to also support the project.

**Read more about:**

→ [Energie Partagée Cooperative](#)

→ [Development fund EnRciT](#)

→ [Equity fund Energie Partagée Investissement](#)



MECISE consortium meeting 2015 at the Paris COP21, (c) Karel Derveaux

## The story of MECISE

Mobilizing European Citizens to Invest in Sustainable Energy (MECISE) was a Horizon 2020 project run in the period 2015–2018 by the following established energy cooperatives: Energy4All (UK), Som Energia (ES), Enercoop (FR), Courant d’Air (BE) and Ecopower (BE). One of the objectives was the creation of a financing vehicle dedicated to energy cooperatives, as the project partners felt the need for a strong European financing vehicle, in this case a dedicated REScoop fund across European borders. This would allow them to overcome the current barriers to accessing private funding.

The project resulted in the European Cooperative Enterprise (SCE) being founded in autumn 2018. Mutual for Energy Communities Investing in a Sustainable Europe (MECISE) aims at developing tools for energy communities to accelerate the energy transition. It has been set up to limit financial risks for individual energy cooperatives and enable them to operate in every EU-member state. It is under full control by energy cooperatives and has a transparent structure and democratic governance. However the statutes of MECISE SCE also foresee local authorities, pension funds, and institutional investors to become shareholders.

The purpose is that renewable energy projects that are too large or risky for individual energy cooperatives i.e. large onshore wind projects, offshore wind or district heating projects can be developed, financed, owned or operated by MECISE. Similarly, the procurement of existing renewable energy projects such as large wind farms is made easier when there are larger institutional investors involved. Investments can be made jointly with local energy cooperatives as operational parties, while citizens still remain able to invest in local projects. This allows for more attention to be paid to the right type of ownership in realized projects, allowing new or small energy cooperatives to grow.

MECISE will start gaining shape and financing first projects in the coming years. In the course of the Horizon project, a pipeline of potential investments by MECISE has been elaborated by the energy cooperatives involved in the project. Amongst others, this pipeline comprised a large onshore wind and solar project in France and Spain. While classic renewable energy projects still are appropriate, the scope of potential investments has broadened widely to all sustainable energy projects. Concrete examples are district heating, including collective energy renovation of buildings to be connected, energy (heat, electricity) storage assets, e-car-sharing services including related assets (electric vehicles, charging infrastructure, pv-roofs, stationary batteries, etc.). It is certainly an instrument to keep a look out for when planning large-scale projects and if you are interested in cross-border collaboration.

Read more about :

➔ [Project webpage MECISE](#)

➔ [Final report MECISE](#)



### 3.2 Debt financing

The big difference between equity and debt financing is the intention of the investor. As you saw in the previous chapter, citizens providing you with equity, do so because they want to support your energy community on a long term basis. Because they believe in what you are doing or planning to do, and because they want to receive a mostly modest share of the (future) benefits you are producing, they are your biggest fans.

On the contrary, actors providing you with debt financing screen your energy community from another angle: how promising are the planned activities? How high is the risk that you will fail? Is the management trustworthy? If they believe in your projects, they provide you with money that you have to pay back during an agreed period of time. In exchange for lending you money, they ask you a fee, mostly expressed as a percentage of the money lent: the interest. Once the debt is settled, your paths separate again and there is no relation anymore.

Of course it is not that black and white: in many cases, both roles can be combined, as you can read in the chapter on crowd investment (page 46) where citizens can take the role of both member (equity financing) and investor (debt financing).

Debt financing can be provided by two different actors, banks and citizens. A bank provides you with a loan that you have to apply for and that in most cases covers a larger sum (page 43). When citizens provide you with a loan, we speak of crowd investment. These are typically smaller amounts of money, collected from a large group of people. This can take the form of small loans in the context of crowdfunding (page 47) or bonds (page 50). We start this chapter with bank loans, and continue with the different forms of debt financing by citizens (crowd investment), both by non-members and members.

If financing via banks or crowd investment does not work, you may still consider third-party financing through an established cooperative. There have been several examples of this in the past years. The REScoops BeauVent from Belgium and Som Energia from Spain provided Boa Energia from Portugal with a loan so that they could do their first project. Once the project was further developed and citizens started to join, the loan was paid back.



Cooperative solar installation by EcoOB and Ecopower on Museum M in Leuven, Belgium – (c) Ecopower

#### Bank loans

Many energy communities find it stressful to work with bank loans. As they do not want to lose their autonomy, they try to avoid the extra costs of lending money, or they find collaboration with banks difficult. However, in some situations and certainly when scaling up, debt financing can be a powerful leverage. Below, we share with you some experiences of energy communities working with ethical banks. If you are interested in diving deeper into the bank-side of the story? Have a look at the [Short guide to financing community energy](#) produced by SCCALE and targeting banks.

#### What information is usually required for a bank loan?

When requesting your first loan as an energy community, you might get the impression that the bank is asking for a lot of information – maybe more than you are prepared to give. However, this is absolutely normal and has nothing to do with the bank needlessly making your life difficult. The core business of the bank is to avoid risk. The way they do it is to ask you to explain your project from A to Z. You have to convince the bank that your plan is valid, that you can provide the amount of equity needed (typically about 30% of the investment needed). Otherwise they won't agree to work with you.





### How to combine bank loans with share offers?

Energy4All regularly raises finance for their individual cooperatives. Bank finance can help make their share offers more flexible and potentially attractive as the bank will typically make a loan offer with a minimum and a maximum amount. This range gives an energy cooperative more certainty about the amount of money from members they will need to raise, with the bank loan providing the rest. The more shares you can distribute, the less money you have to borrow from the bank, and the more money remains in the community. This is a positive story to tell your members, as it provides the stability they need for their investment decision.

### Ethical banks or traditional ones?

Obviously, ethical banks are the natural partners of energy communities. They speak the same language, share the same values and understand the democratic way that energy communities work. Another advantage is that they can make each other stronger by becoming members of each other's organisation or even by providing services to the members of the other on a reduced rate. For example an electrical car sharing cooperative that offers mobility services to the staff of an ethical bank and receives a special interest rate for its loan in return.

However, establishing good relations with different banks, also traditional ones, makes sense. For example, ethical bank loans are often limited to 1 million euro, as higher amounts do not fit their risk profile. To diversify their risk, some ethical banks might also only finance a limited number of projects in the renewable energy sector. A lot of traditional banks are now also interested in sustainable investments as an alternative for financing the fossil fuel industry. In this way, together we can make the banking system more sustainable.

### Why choose an ethical bank and not a local one?

Rooted in the local community, many energy communities start off working with small local banks. Relations are already established and there is a shared understanding of the local context. However, when activities are growing, it might make sense to switch to ethical banks experienced in renewable and community energy projects. This is also the experience of the Heidelberger Energiegenossenschaft (HEG) who partially replaced their local bank with the **ethical bank GLS** and the **sustainability-oriented bank DKB**:



“Communication with the local bank was often rather strenuous: we had to explain how our share offers work, for example we had to prove that, given members can sell back their shares, we can guarantee sufficient new funds,... You can see that the understanding of the project work we do is more thorough at larger banks. GLS Bank and DKB have a lot of similar clients, therefore they also provide funding in the development phase, give short-term liquidity and also react more flexibly and quickly.”

Melanie Martínez-Ramírez, Heidelberger Energiegenossenschaft

### Why set up a collaboration even before funding is needed?

Setting up agreements with an ethical bank could also be useful although you might not yet need a bank loan. For example, the Basque citizen energy cooperative Goener, closed an agreement with **ethical bank Fiare** for the development of renewable energy projects, because they expect that sooner or later, they will need extra funding to bridge the financing of bigger projects. Once an opportunity to invest appears, there is often not enough time to work on relationship building as you need to move fast. Anticipating this by preparing agreements could be a good idea.

### How to access bank loans as an energy community based in Southeastern Europe?

Many Southeastern European countries still have limited experience with energy communities. Banks are not familiar with the concept and are hesitant to finance citizen energy projects. Or they include problematic conditions such as very high interest rates and the obligation to sell the power produced by the citizen installations to commercial suppliers at their terms. However, with the energy crisis, banks in this region are starting to watch the renewable energy market more closely. Yet, national support schemes that provide stability to banks and energy communities, such as the Dutch guarantee of a fixed minimum price per kWh, are still lacking in this region.

## Crowd investment

Crowd investment or crowdlending is another way to raise debt financing. While most of the time a bank loan covers a larger sum, crowd investment means that a multitude of actors provide you with a micro loan. All those small individual loans add up to a larger sum. Managing all these small loans also means foreseeing enough administrative capacity yourself or paying for a service such as an online crowdfunding platform.

Below, we share with you some experiences of energy communities working with crowd investment. We start with those that are also open for non-members (project-specific crowd investment and bonds), followed by examples where crowd investment is exclusively accessible to members of the energy community.

### Project-specific crowd investment: members and non-members

If you aim to collect funds from as many people as possible to realise a community energy project. Or you want to target everybody in the neighbourhood of a planned project, because you think they will want to contribute. Then project-specific crowd investment might be a good solution. This financing model is probably what is most widely known as crowdfunding. It works by setting a target of X euro that you want to reach, calling on the broad audience to contribute to reaching this goal, and closing the call once the target is reached. Contributions are paid back after an agreed term, and in the meantime are honoured by paying an annual interest. You can use this model both for the development of RES projects as well as for investments in the organisation of your community, as the following two examples show.



## The story of Electra Energy

Electra Energy Cooperative is a Greek social cooperative that supports the creation of energy communities in Greece and Southeastern Europe. In the context of the SCCALE 20 30 50 project, Electra created the first collective self-consumption energy community in Athens called Hyperion. Hyperion will reduce the price per participant through collective investments in solar projects and via economies of scale. The latter relates to the price of the PVs being smaller in total due to the larger scale of the project, compared to an individual installation. Also, due to the large (and growing) number of members in the community, operational costs are split and thus maintained fairly low per member. The project will use the Virtual-Net-Metering model for energy communities specific to Greek law, allowing for the RES production to not be in the same site as the consumption.

For this project, Electra Energy initially worked together with Genervest, a crowd investment platform developed by Greenpeace Greece. Through the platform, everybody can invest in ecological projects with social benefits and receive an interest back. Both the interest rate and duration of the loan term are fixed. You can follow the evolution of the fundraising campaign on the website.

Ultimately, although it started off very successfully, the collaboration between Hyperion energy community and Genervest did not follow through, because the project was rejected by the DSO due to grid congestion. Hyperion has thus had to develop a new collective solar park which will be financed with members' own capital. However, future collaborations with Genervest always remain open.

Read more about

→ [Electra Energy Cooperative and Hyperion](#)

→ [Crowdfunding platform Genervest](#)

## The story of Bürgerwerke

Crowdfunding can also be used in bigger projects and in combination with other financing schemes, as illustrated by Bürgerwerke. This association of more than 40 000 people and 107 local energy communities from all over Germany bundles tasks such as energy purchasing, billing and other energy supply tasks for its member organisations. In order to adapt to the growth of the organisation, they have to invest massively in human resources and adequate organisational systems i.e. 20 million euro in six years. Bürgerwerke strives to safeguard its autonomy as they did not want to receive these funds from one big investor, but in a democratic and distributed way.

That is why they decided to use a mix of three financing schemes, each of which raises a third of the required sum:

- An open-to-all crowd investment campaign that collects citizen loans – that is, debt financing – via the crowd investment platform WIWIN. Everybody, members as well as non-members, can lend for a minimum amount of 250 euro and receive an annual fixed interest of 5,5%. The campaign raised 6 million euro within 2 months, in what was probably the first time crowd investment was used for renewable energy in Germany
- An equity crowdfunding campaign among the member cooperatives in return for additional shares
- Debt financing via bank loans

Read more about :

➔ Bürgerwerke

➔ Crowdfinvestment platform WIWIN



The team of Bürgerwerke

### Bonds

You might know about government or municipal bonds. Also companies can issue bonds, which are called corporate bonds. Corporate bonds are loans that citizens grant to companies and businesses. The company sells bonds to investors, promising to pay it back after a fixed amount of time. During this period, the company pays an annual interest (percentage of the loan). Generally, the longer the period, the higher the interest rate.

For energy communities, bonds are harder or hardly accessible, as they generally require higher sums, are issued by institutions like pension funds, insurance companies or banks that require a certain minimum amount of investment and manage the trading of the bonds on the bond market on behalf of the company. This is why bonds might only be interesting for energy communities in a more advanced stage, like the story of Westmill Solar shows.



(c) Westmill Solar

## The story of Westmill Solar

Westmill Solar realised one of the UK's first cooperatively-run solar parks consisting of over 20 000 solar panels and producing about 4,8GWh per year, the equivalent of the annual electricity consumption of around 1 600 average homes. The £15 million project was funded by a combination of shares and a long-term loan from a local authority led pension fund.

The cooperative and the pension fund subsequently agreed to pay off some of this loan. Issuing more shares was too complicated, so another solution had to be found. The cooperative chose to issue £1 million pounds in bonds to individuals, working with the team at **Ethex** (an ethical stock exchange based in Oxford). The bond duration was five years, and the annual interest rate was 5% - with a higher 6% available for local people.

This structure made economic sense but crucially also allowed more individuals to become owners of their local cooperative energy project (see below). The money was quickly raised and used to pay off some of the pension fund loan. After 5 years, people can get their money back. The risk to the cooperative is low because the project generates strong cash revenues.

The following three principles have been central:

- Financially simple but also tax efficient: unlike shareholders, bondholders investing in community energy can receive tax benefits.
- More members: bondholders who were not already members received a £1 share in the cooperative, making them equal co-owners of the installation with a full say in the running of the cooperative.
- More local people: Westmill Solar wanted especially local people to benefit from the project. The cooperative ran information sessions in local community buildings so that people living in the area found out about the bond offer first, could invest early and receive a higher interest rate.

Read more about :

→ Westmill Solar

### Subordinated loans: members only

The difference between 'normal' loans and subordinated loans is that the latter are riskier. Citizens that lend money as a subordinated loan, will only be repaid once all other debts and loans of the energy community are repaid. That means that subordinated loans have the lowest priority when a project fails, and thus represent a higher risk than normal loans. However, as you know, the last in the row to be repaid are shareholders, which makes subordinated loans still less risky than shares. You can also consider combining shares and subordinated loans, like the Heidelberg Energiegenossenschaft does.



Solar installation on the rooftop of the Heidelberger Brauerei GmbH, realized by Heidelberger Energiegenossenschaft. Photographer: Christopher Holzern.

## The story of Heidelberger Energiegenossenschaft

The German energy cooperative Heidelberger Energiegenossenschaft (HEG) started off in 2010 as an initiative of university students wondering how to use more of the city rooftops for the production of solar energy. In the meantime, the HEG has realised 37 solar installations, has more than 2 000 members and collected 6 million euro of citizen capital. Members can purchase 100% renewable energy through the citizen energy supplier Bürgerwerke (cfr. page 48) who buys the electricity produced by German energy cooperatives such as the HEG .

To become a member of HEG, you can buy a share of 100 euro. Early on in the history of the cooperative it became clear that members prefer that profits are being invested in new projects rather than flowing back to them as dividends. However, HEG searched for a way to reward members for their investment, and at the same time increase its equity capital in order to carry out more projects.

For that reason, HEG has been offering participation packages of 1 000 euro each since its second year. These packages are only accessible to members who can sign more than one package. Each package consists of 20% shares and 80% fixed-interest subordinated loans (interest rate: 3%, period of 20 years).

That way, members wanting to invest larger sums have a well-calculable capital return for the majority of their participation through interests and repayment. The fact that subordinated loans are comparable to amortising loans (a loan with scheduled, periodic payments) which are a quite common financial scheme many people are familiar with, makes it easy to explain how it works and create trust.

What does the co-existence of shares and subordinated loans mean for the democratic control of the energy community? The 20-80 formula prevents the situation in which people subscribe to one share to then take out numerous loans; this would jeopardise the financial balance, as repayments must be guaranteed in time. Importantly: the 'one share one vote' principle remains intact, regardless of the amount of packages signed.

Read more about :

→ [Heidelberger Energiegenossenschaft](#)

### Cooperative obligations – members only

The difference between obligations and the other forms of debt funding that you read about in this chapter, is that they are of a permanent nature. That means that you don't have to define a period after which the loan will be automatically repaid. This increases the flexibility in how and when you use the money. On the other hand, it means that you also will have to pay the annual interest for a longer period of time, potentially until the end of the days of your energy community. Have a look at how Som Mobilitat uses cooperative obligations in their work.



## The story of Som Mobilitat

Som Mobilitat is a non-profit consumer cooperative founded in 2016 that offers services to share electric vehicles between neighbours, entities, companies and administrations throughout Catalonia. As pioneers in electrical car sharing in their region, they had to try and sort out a lot of things in the beginning, such as the value proposition of their service, the business model of the cooperative as well as the general cost structure of electrical car sharing activities. For example, the importance of purchasing vehicles at a fair price and the advantages of purchasing instead of leasing have been insights they gained in these first years.

Wanting to make electric car sharing accessible to everyone, Som Mobilitat chose a low share price of 10 euro. When you know that one cooperative car serves around 30 members on average (i.e. 300 euro through shares), you understand that shares alone are not sufficient to finance a whole fleet. Yet, in the beginning, Som Mobilitat was too small to receive a loan from the bank. This is why they decided to work with **cooperative obligations** that members could buy, a formula the coop is still offering today.

How does this work? Members can contribute in multiples of 100 euro up to 40 000 euro. In return for their investment, they receive an annual interest of 2,5% on the amount invested. The contribution is of permanent nature. However, members that want their money back, can do so with a three months' notice. If several members want their money back at the same time, the return can be limited. Importantly, the decision power

lies 100% with the 3 000 members, regardless of the number of shares or obligations they hold (one member, one vote).

Working with a bigger fleet makes some activities cheaper due to economies of scale, for example the cleaning of vehicles. Other costs however, such as informing new users and purchasing vehicles, scale together with an increasing fleet. In order to be able to cover the rising up-front costs when setting up new service units, Som Mobilitat closed an agreement with the cooperative bank Fiare for the purchase of new vehicles.

→ Som Mobilitat

Read more about :

→ The Mobility Factory

→ Fiare Banca Etica

### 3.3 Grants

While in equity and debt financing, investors expect a return of their investment, a grant is money that you get for free. Well, that's not totally true of course, as you will have to apply for calls stating what you want to achieve with the grant, build up a good reputation, showcase your successes, set up a system to receive donations, stay up to date on the different possibilities, and have some luck. Although the grants you can apply for vary greatly between countries, this chapter presents the three types of grants that can be found almost everywhere: public support schemes (see below), donations (page 60) and awards (page 62). If you want to work with grants, be sure to also check out what's available at the national or regional level.

#### Public support schemes

There are a lot of public support schemes out there that are often not very well known but can be interesting to work with. Support schemes are offered on all governmental levels: from European projects to national, regional and municipal ones. What they have in common is that, in most cases, it will take you (quite) some

time to meet the administrative requirements. That means that if you have never filled in a project application before, it might be a good idea to ask for support in your community. And don't despair if it doesn't work out in the beginning - ask for feedback to learn how to improve your case for the next try.

### Specific public support schemes for energy communities

The Renewable Energy Directive requires Member States to develop an enabling framework for renewable energy communities, including the facilitation of access to financing. To date, not all Member States have developed such an enabling framework for financing. The support mechanisms that have been developed until now range from guarantees, revolving funds, low-interest loans that may be provided for community investments to special tax treatment for individuals that invest in social and community enterprises. Want to know more about the public support schemes for energy communities in your country?

- ☛ The **SCCALE Municipality Guide** summarizes the current situation in the SCCALE partner countries Greece, Croatia, France, Netherlands and Belgium.
- ☛ REScoop.eu's **Transposition Tracker** keeps track of how the Member States integrate the Renewable Energy Community and Citizen Energy Community definitions in national law.
- ☛ The **COM RES project** investigates the supporting mechanisms for energy communities integrated in national law in nine European countries.
- ☛ The **Energy Community Repository** features many different resources and tools that can help energy communities to unlock financing from public authorities.
- ☛ The **ACCE project** is currently identifying relevant Community Energy Financing Schemes.

Besides national support schemes, there is a great variety of funds available at the European level that have been used successfully in the past by different energy communities. For example, the basis for REScoop.eu was laid in the European project REScoop 20-20-20. An important side note with European grants however is that they are only accessible for high amounts of investment, which might not be within the range of a fledgling energy community. The **Energy Communities Repository** is an example of support that is also accessible for smaller initiatives. We don't repeat all European funding options here as it has been done extensively in other guides, such as the **Energy Communities in the EU guide** of the Friends of the Earth Europe and Profundo, or the **COMPILE Financing Guide**.



## The story of of the Dutch cooperative energy development grant scheme (SCE)

The 'Subsidieregeling coöperatieve energieontwikkeling' (SCE) is a feed-in tariff premium especially designed for energy cooperatives. It is intended to support new renewable energy production projects of energy cooperatives and Owners' Associations. It is important for these collectives to have certainty about the future revenues of their energy project to make sure that a profitable operation of the plant is possible. The scheme provides this certainty. The grant decision is valid for 15 years. This provides long-term investment pool security. Moreover, it improves the risk profile of the generating plants, making it easier for energy communities to get both equity and debt financing for the generating plant.

With the SCE, energy cooperatives or Owners' Associations receive subsidies per kWh produced for a fixed duration of 15 years. The amount of the subsidy is being adapted each year and covers the difference between the basic energy price and the market price for energy. If the energy price rises, energy communities will receive less subsidy; if the energy price falls, they will receive more. The energy produced can come from solar, wind or hydro plants and must be provided with certificates (guarantees of origin) to be eligible for subsidy. To finance this support scheme, the Dutch government foresees a budget of 150 million euro in a yearly call. A special requirement is that members need to live in the proximity of the installation and that the organization provides a one-person-one-vote-membership.

You can find an example of a practical application of the SCE scheme in the **SCCALE Municipality Guide (p.39)**.



### General public support schemes

If there is no public support scheme for energy communities available in your country, looking for general public support might be an option. In many countries, there are public support schemes that are accessible to a broader range of initiatives i.e. National Lotteries, charity, philanthropic or humanitarian institutions etc. You can use these grants as a one shot support intervention, to help you go the extra mile, or to start off a specific project. However, grants can also be integrated in your work in a more structural way, as the example of Repowering illustrates.



## The story of Repowering London

Repowering London is a charity and non-profit intermediary between communities, local authorities and corporate partners based in South London. Since 2011, they have raised more than 730 000 pounds of capital and installed about 707 kWp of solar capacity on urban rooftops, establishing eight community energy co-operatives. While this is already a very nice achievement, what makes this initiative extraordinary is its strong engagement in training and education. As part of its work, Repowering London organizes a paid youth training and a primary school education program, solar panel workshops, community events aimed at alleviating fuel poverty and 'Greener Living', and also mentors and trains volunteers giving them transferable employment and community organizing skills. Repowering London's overarching goal is to develop business models that allow more people to participate in and benefit from the low carbon energy transition.

How does Repowering London manage to finance these valuable training activities and employment opportunities? The solution lies in a mixture of benefits deriving from the solar installations, public and private support. Firstly, the funds raised through sales of community

shares in its co-ops are used to cover the costs of the solar installations and investor returns. Any surplus raised, for instance through sales of electricity generated by a co-op, is ring-fenced and spent within that local community. For projects where the income generated through electricity sales is not sufficient for the project to be financially viable, Repowering London works to secure grant funding from private and public sources to reduce the capital costs. A significant public funder of community energy projects in the UK is the National Lottery. Repowering London also tries to establish relationships with companies that want to support their work – whether by providing access to suitable sites for rooftop solar, making contributions in kind through the provision of equipment, or by providing match funding to the local community fund.

Read more about:

➔ [Repowering London](#)

➔ [UK National Lottery](#)

## Donations

As an energy community, you are generally looking for a business case that allows you to create a return on investment to cover your costs and reinvest potential profits in new projects. However, there are also activities related to renewable energy that do not generate an immediate return of investment, such as the fight against energy poverty for example. To finance those, collecting donations can be an option, as this is money that you receive for free and don't have to return. However, receiving donations is not allowed for all legal statutes, and might have fiscal consequences. So be sure to check what the options are for your specific energy community and consider working together with partners if necessary.

## The story of Énergie Solidaire

Some years ago, the members of the association 'Les Amis d'Enercoop' ("The Friends of Enercoop") asked themselves which role they could play in reducing energy poverty. They came up with the idea of founding Énergie Solidaire, an endowment fund that collects donations and distributes them among associations that act on the ground with households in energy poverty via a system based on regular calls for projects. And the good news is: even in times of severe energy crisis and decline in purchasing power, Énergie Solidaire experiences that donations remain stable or even increase.

The Énergie Solidaire fund is fed by three types of donations.

- **Micro-donations on energy consumption:** donors have to be clients of cooperative supplier Enercoop. They give 1 or 2 cents per kWh of energy consumed. Based on the annual electricity consumption, the energy supplier of the donor calculates the amount he or she will be charged each month by Énergie Solidaire. Donors thus pay the same amount each month. These donations are 66% tax deductible.
- **Energy donations:** producers of renewable energy, both professionals and individuals, can choose to donate a part of their



# énergie solidaire

surplus energy to Enercoop. The latter committed itself to pay Énergie Solidaire with the amount of money corresponding to the energy they receive from the producer. So Enercoop doesn't pay the producer but pays Énergie Solidaire, which in turn uses the money for activities that reduce energy poverty. However, this system did not prove to be very impactful, as the amounts raised per project are rather small.

- **Donations from individuals or companies:** of course it is also possible to simply donate money without any link to electricity bills or energy production.

Énergie Solidaire is currently also developing a new system. In this scheme, large energy producing companies will structurally provide Enercoop with 1% of their production, enlarging the impact of the conventional energy donations. Interestingly in this model, Énergie Solidaire, being a private fund, joins forces with a regional public authority who helps them launch and advocate the system in the respective region. For the regional government, this is a way to explore new possibilities to take up responsibility in energy poverty mitigation measures on its territory.

Read more about:

→ [Énergie Solidaire](#)



### Awards

Awards are a specific form of grants. Some awards can be applied for, for others you have to be nominated and some just fall into your lap. It's worthwhile to do a little research on awards available in your region, and to stay updated on their calls. As awards are a way of financing that is very insecure and cannot be included in your financial plan, you should rather consider them as a nice extra that allows you to experiment or try something new.

This is also what the Heidelberger Energiegenossenschaft (cfr. page 52) did. They had been awarded the prestigious Georg Salvamoser Award for supplying a residential quarter with a total of 45 rental flats with solar energy. In this project, HEG experimented with different innovative aspects such as storage and e-mobility solutions. Gaining the award came as a surprise: the endowment of 10.000 euro had not been included in the financial plan. Nevertheless, it provided extra capacity in the final stage of the project, while at the same time honoring the experimental and comprehensive project approach.

### 3.4 Local authority or municipal support

Renewable energy production is per definition a very local endeavor, with local production plants, local citizen engagement requiring local partnerships and support. This makes municipalities the natural partners of energy communities. They play an important role in granting access to public domains, in allowing for the necessary permits, and in generally promoting your initiative. But also in financing matters, local authorities can lend a helping hand. They can do so in very different ways, for example by providing municipal guarantees for energy communities applying for a bank loan (cfr. page 64) or by investing in collective action in the local energy transition while partnering with energy communities (cfr. page 66).

Some local authorities also provide grants (chapter 3.3). For example, in its very early days, the electrical car-sharing cooperative Som Mobilitat received a grant from the catalan regional administration in order to build up the essential infrastructure of the organisation. Thanks to the grant, the cooperative could use the money they collected via cooperative obligations exclusively for the purchase of new vehicles (cfr. page 54).



If you are interested in learning more on the synergies and possible collaboration between energy communities and municipalities, we warmly advise you to discover the **SCCALE Municipal Guide**. Illustrated with a lot of concrete examples, this guide will provide you with a lot of inspiration on the roles a municipality can play to support energy communities.

### Municipal guarantees

As you saw in chapter 3.2, the main interest of banks lies in minimising the risk of not being returned (part of) a loan in the case a project fails. It is your responsibility to prove to the bank that your business case is viable and your financing plan is solid. For example by showing that you have been able to raise money through share offers before, or by referring to similar projects.

Yet, having a partner that promises to jump in when the project should fail, is one of the strongest guarantees you can give to the bank, dramatically minimizing the risk of the bank. Guarantees can be given by different actors including municipalities, but also other energy communities. For example, in 2008, a guarantee of Ecopower supported the participation of Enercoop to participate in a public tender to buy electricity from a French hydropower plant. Especially in small-scale district heating networks that have high start-up costs and a long return on investment, municipal guarantees can make a huge difference to your bank loan application, as the following example shows.





## The story of Thermo Bello and Buurtwarmte

16 years ago, the district heating network and production installations of the local drinking water company of the Dutch city of Culemborg was for sale. Some inhabitants of the district EVA-Lanxmeer in Culemborg decided to take the provision of the district heating into their own hands. They founded the limited company 'Energiebedrijf Thermo Bello' and started to search for funding to take-over the assets of the district heating. Some 50 inhabitants were prepared to provide risk capital in the form of loans, but that was not enough to buy the assets. However, granting a bank loan to such a young initiative was considered too big a risk by banks.

That's where the municipality jumped in: by providing Thermo Bello with a municipal guarantee on 100% of the amount borrowed from the bank. That led in 2009 to a bank loan with favourable conditions (interest rate and duration) that enabled Thermo Bello to take over the activities of the district heating network. A few years later a cooperative was established by the inhabitants of the district that became the 100% owner of the limited company.

When recently parts of the installations had to be modernized and substituted, the coop was able to finance this by a mixture of a bank loan (35 000 euro for 10 years at an interest rate of 2,7%), citizen capital (65 000 euro), savings based on the performance over the last years (100 000 euro). The conversation with the bank this time was much easier, as

the cooperative was debt-free and could prove the financial stability of its activities over the last 13 years.

The experience of Thermo Bello is being fed into Buurtwarmte ("Neighbourhood heating"), an Energie Samen service to support the development and operation of sustainable heating projects. Emerging initiatives are being provided with information on funding; yet also other aspects that regularly prevent projects from getting started are covered. For example, Buurtwarmte facilitates the exchange of knowledge on how to establish a successful collaboration between energy communities and municipalities, supports the development of expertise and skills necessary to realize projects, and informs communities on legal aspects such as the status of the initiative and changes in the regulatory framework.

Read more about :

→ [Thermo Bello](#)

→ [Buurtwarmte](#)

→ [Energie Samen](#)

### Co-financing through municipalities

Finally, don't forget that the collaboration between municipalities and energy communities can also mean coordinating the efforts of the different parties rather than effectively investing together. Municipalities and energy communities partnering to realise the local energy transition mutually support their projects, divide the work according to each of their strengths and activate even more citizens in the process. This collaboration can be ad hoc and informal, or rather structural as the following example shows.



## The story of LICHT Leuven

In 2017, the city of Leuven (Belgium) was looking for a strategic partner to stimulate the local energy transition. Ecopower was selected and worked on two objectives, i.e. developing more renewable energy in the hands of citizens in the city of Leuven itself and, with the financial support of the Province of Flemish Brabant, facilitating the establishment of energy communities in the province (**the LICHT approach**).

Today, the collaboration in the context of LICHT Leuven is focussing on finding ways to turn individual into collective action in the city. As one of the pilots of the SCCALE project, LICHT Leuven investigates how a settled energy community like Ecopower and an ambitious local authority like Leuven can accelerate and democratize the local energy transition. To this end, both partners focus on their own strengths.

- The city offers additional services to its citizens (energy scans of individual homes for solar panels and sustainable heating, access to an energy monitoring tool) by tendering to energy community **ECoOB** and cooperative **EnergyID**; an investment that covers about 225.000 euro for a period of 2 years in the case of the energy scans, and for 4 years in the case of the energy monitoring tool.
- Ecopower uses the money of its shareholders (cfr. page 34) to realize solar installations on non-residential buildings, increasing the possibility for even more citizens to invest in local renewable energy production.

Together, they reach out in a coordinated way to citizens in order to inform and engage them in information sessions, training and local action.

Read more about:

➔ LICHT Leuven

# 4. CONCLUSION

This guide provided you with an overview and some examples of the different possibilities to finance the activities of your energy community. We hope that it represents a basis to start the conversation on financing within your energy community and with potential investors. Don't forget that moving our/your money to renewable energy production that is in the hands of citizens is one of the most powerful things we can do to speed up a just energy transition and safeguard that benefits remain in our communities.

Are you still doubting which approach best fits your project plans? It might help to again have a look at the main characteristics of the different financing types in chapter 2 (page 15). Some options might not be accessible to you and can be removed right away, such as grants for example. For the remaining options you might want to ask yourself how desirable they are in your situation. Are your investors ready to handle some risk? How important is shared ownership to you? How much flexibility does your project require? Prioritise the remaining models and start working on the number one action on your list. Find more information, look for help to set it up, do the calculations of the costs and benefits of this option.

Sometimes, your preferred financing model is not available (yet) or does not work in your situation. In that case, remember that combining different models is an interesting option that spreads the risk and sometimes makes funding more accessible. e.g. if you do not succeed in receiving a bank loan for 80% of the project, you can try and lower the percentage that you want to lend from the bank by combining it with a crowd investment or an increased share offer.

**Good luck!**





# 5. COMPLEMENTARY RESOURCES

## Compile Financing Guide (2022)

More detailed overview of energy community financing models, including examples from the field.

[Available here.](#)

## Energy communities in the EU: Opportunities and barriers to financing (2022, Friends of the Earth Europe and Profundo)

Report by Friends of the Earth Europe and Profundo with information on the European policy environment on energy communities, European funding opportunities and policy recommendations on the topic.

[Available here.](#)

## Report on novel financing instruments for RECs (2022, COM RES)

Report with country specific information on existing financing instruments for energy communities such as tax incentives, renewable energy certificates or specific local bond mechanisms in Belgium/Flanders, Germany, Italy, Latvia, Norway, Poland, Portugal and Spain.

[Available here.](#)

## PROSPECT+ resources section

PROSPECT+ is a capacity building H2020 project for cities and regions on innovative financing schemes. The resources section of the project website contains a lot of information, including learning handbooks, a glossary of financial terms and video's.

[Available here.](#)



## Handbook on investment schemes for REScoop projects (2014, REScoop.eu)

Handbook with an overview of existing investment schemes, examples from the field and a decision matrix helping to choose the right financing instrument for your project.

[Available here.](#)

## Step by step guide on financing of cooperative heating (2021, Energie Samen, TNO, Rabobank, ASN Bank, Invest-NL) – in Dutch

Guide supporting current and future cooperative heat initiatives in securing financing for a cooperative heat supply.

[Available here.](#)

## Innovative financing model for energy efficiency (2020, Rescoop.eu)

Three cases of financing schemes for energy savings in the cities of Eeklo (BE), Halle (BE) and Brixton (UK).

[Available here.](#)

## Investment needs for the local energy transition (2019, Energy Cities)

The case of five European cities (Ghent, Frederikshavn, Bordeaux-Métropole, Sevilla and Tallinn) looking for ways to finance local energy transition.

[Available here.](#)

## Community power financing: Mobilisation of public-private financing for community based sustainable energy projects in Central and Eastern Europe (2014, Community Power Coalition)

Compilation of best practical examples on viable financing and investment schemes for Community Power with a focus on Central and Eastern European countries.

[Available here.](#)



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→ [sccale203050.eu](https://sccale203050.eu)

