



RESCOOP 20-20-20

FEDERATION OF GROUPS AND COOPERATIVES OF CITIZENS FOR RENEWABLE ENERGY IN EUROPE



Financial Barriers and Conditions for Renewable Energy Cooperatives

Brussels, 4 March 2014

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The REScoop 20-20-20 project

What is a REScoop?

REScoop is short for Renewable Energy Sources COOPerative.

A REScoop is a group of citizens that cooperate in the field of renewable energy, developing new production, selling renewable energy or providing services to new initiatives.

Types of REScoops:



The REScoop 20-20-20 project

- Foster social acceptance and visibility of RES by stakeholder engagement
- Speed up creation of RES projects and related cooperatives in various member States
- Better understand the financial barriers and appropriate business models for RES-projects
- Encourage mutualization of know-how, but also increasingly of tools and capital.



> Tens of renewable energy cooperatives in Europe

Many are highly competitive with respect to energy market prices

> **REScoop.eu** - The European federation of groups and cooperatives of citizens for renewable energy

> **Create a European Cooperative company to promote the cooperative model and pool resources between structures:**

procurement, IT solutions, financing, eventually forecasting and balancing

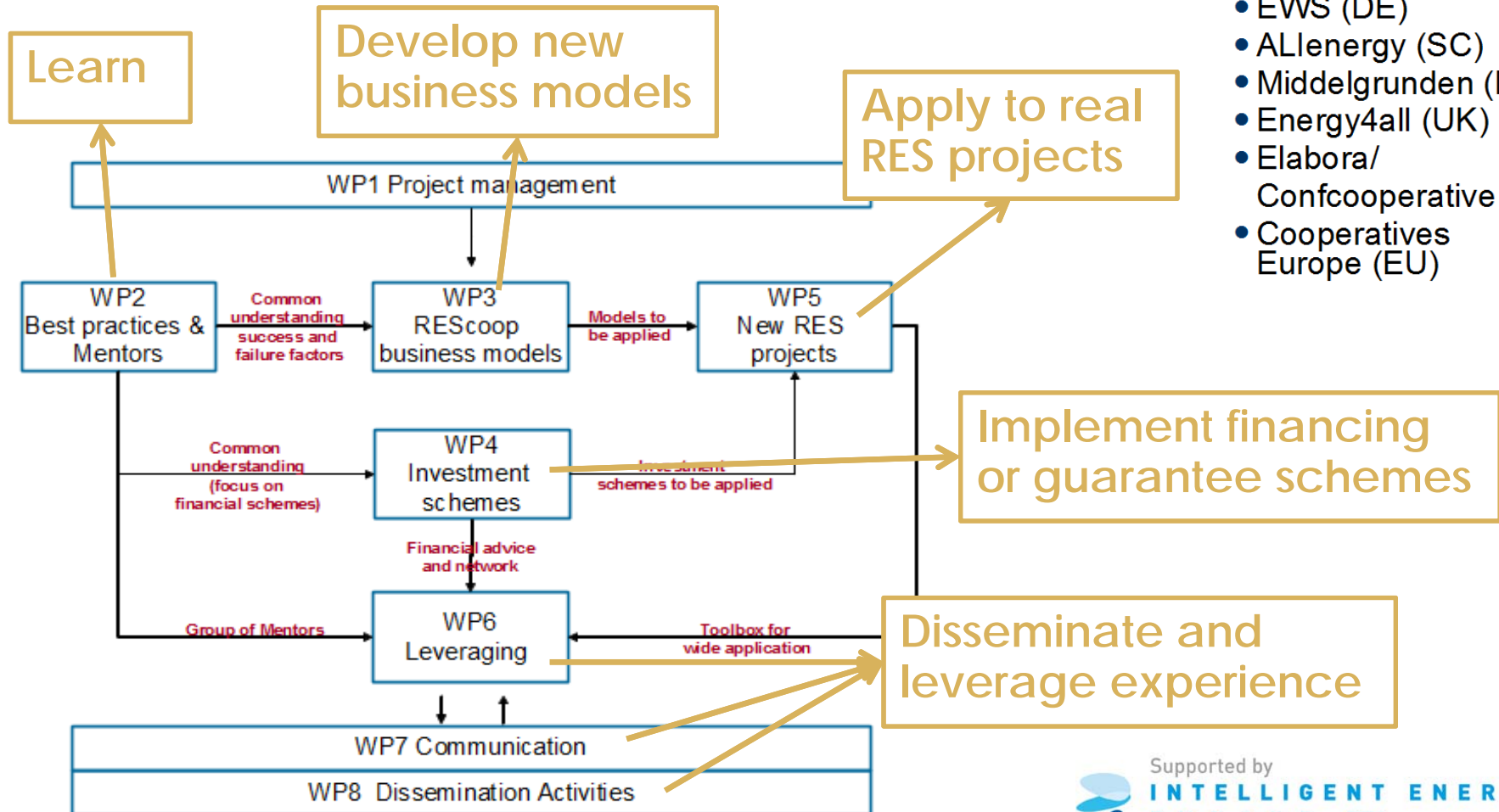
> **In collaboration with Banca Etica Europa,**

develop financing and guarantee schemes



RESCOOP20-20-20

A European project to speed up the expansion of RES coops



Partners

- Ecopower (BE)
- Avanzi (IT)
- ODE (NL)
- Enercoop (FR)
- EMES (EU)
- REScoop.be (BE)
- EWS (DE)
- Allenergy (SC)
- Middelgrunden (DK)
- Energy4all (UK)
- Elabora/
Confcooperative (IT)
- Cooperatives Europe (EU)

Financial barriers and existing solutions for REScoops

The Goal

Address the financial barriers that threaten citizen RES-projects in different EU countries and reveal the solutions that already exist and work to finance RES-e generation projects

The Report

Report on financial barriers and existing solutions based on interviews with financial actors and REScoops in 10 European countries.

Next step: a Handbook

Developpement of a Handbook on investment schemes to be tested in the pilot projects and then applied by citizens and coops to help finance RES projects in different EU countries.

Financing a REScoop project

Each phase of a REScoop project has specific financing needs, because of (i) the level of uncertainty and (ii) the necessary scale of funding.

Phase	Description	Type of financing	Challenges/level of risk
1. Pre-planning	<ul style="list-style-type: none"> Project planning Identification of site/ type of RES 	<ul style="list-style-type: none"> Grants Soft loans Self financing 	<ul style="list-style-type: none"> First phase of the project, most risky part of the project to fund, investors are not often willing to risk investing in the early stages of a project Financial guarantees needed by financial institutions in case the energy production does not repay the interest costs of the loan Patrimonial guarantees requested by banks
2. Development	<ul style="list-style-type: none"> Feasibility study Business plan Permitting procedure Grid access permit 	<ul style="list-style-type: none"> Equity investment Grants Loans Seed capital 	
3. Construction	<ul style="list-style-type: none"> Construction Connection to the grid 	<ul style="list-style-type: none"> Loans Grants Venture capital 	<ul style="list-style-type: none"> Construction risks: financial operators used to be willing to take on construction risk subject to the appointment of an independent consultant to undertake due diligence on the contracts, business models, etc (has to be taken in charge by the REScoop). Now corporate guarantees are more and more required and pure non-recourse project financing is rare.
4. O & M	<ul style="list-style-type: none"> Production Maintenance 	<ul style="list-style-type: none"> Revenues from energy production Public support schemes for RES 	<ul style="list-style-type: none"> Revenues Regulatory risks on public support schemes Financial viability of the installer and the manufacturer and credibility of their warranty

RES investments are capital intensive and require mobilization of funds in initial phases (1-3), before revenues arrive.

Citizen investment

Citizen investment in renewable energy

- **Equity investment is a key step in a REScoop financing**

It reflects REScoop's community-owned approach, but also because financial operators never fund 100% of a REScoop project through loans. Having a percentage of citizen investment plays an essential role in securing the financing plan of a REScoop project.

- **Several possibilities exist for the financial participation** of citizens in REScoop projects:

**Purchase of shares
for equity
(through a share
offer)**

**Direct investment
as a private loan
into the project**

**Financial
guarantees in
support of bank
loan**

**Membership fees
(annual fees paid
by the members
of a cooperative)**

A key lever for the energy transition on a local scale

- **Combining the concept of economic democracy and the creation of "short circuits"**

Some assets of REScoops and conditions for success

Organizational assets

Members' involvement and skills

Support from local authorities

Short circuit and local creation of economic activity

Help from other REScoops

Financial advantages

REScoops' low organisational cost and resilience

Not purely profit-driven, flexibility in dividends

Tap into alternative circuits of financing

Factors affecting the financing of a REScoop identified in the report

Availability of investment funds is not the primary barrier

- In most cases, the obstacles for financing REScoop projects **arise well before the implementation of a financing scheme.**
- Barriers faced by REScoops are not exclusively financial in nature, but **they do have a direct or indirect consequence on the financing of these projects.**

Several factors identified



Cultural and political factors affecting the financing of REScoops

Lack of knowledge concerning the cooperative model

- Low trust in the **cooperative model** as an effective economic alternative in several European countries
- Citizen-led projects versus public authorities in the energy sector

Hybridity of the REScoop model has to be understood by the local communities as an asset in the energy transition

Level of political support to RES or to cooperatives

- Lack of knowledge concerning RES on local or national level generally leads to a lack of political support

Political orientations and public policies have a tremendous impact on REScoop development (example of Denmark's option to purchase wind park shares for local citizens)

Economic and management factors affecting the financing of REScoops

Pre-planning stage barriers

- A very **capital intensive phase that can be particularly lengthy** due to national regulation
- Citizen-led projects are not well **understood by financial institutions**

Support mechanisms within the cooperative sector exist (Cooperative groups or banks)

Lack of guarantees and size of REScoop projects

- REScoops do not always have patrimonial **guarantees** or a regulated tariff as a security for financing their projects through a bank loan
- The small **size of project** can also be a barrier for financing through loans

Solutions exist through public support schemes and cooperation between cooperatives (KfW Energy Program in Germany for instance)

Legal and administrative factors affecting the financing of REScoops

Public offering regulation and access to equity capital for REScoops

- Ability to raise initial capital through local citizens buying shares is a key asset for cooperatives
- Public offering regulation has been identified as a barrier for financing REScoop projects
- Several countries have already adapted their regulation to allow a wider flexibility when cooperatives are concerned (for instance Germany, Denmark, Belgium, Italy, the UK)

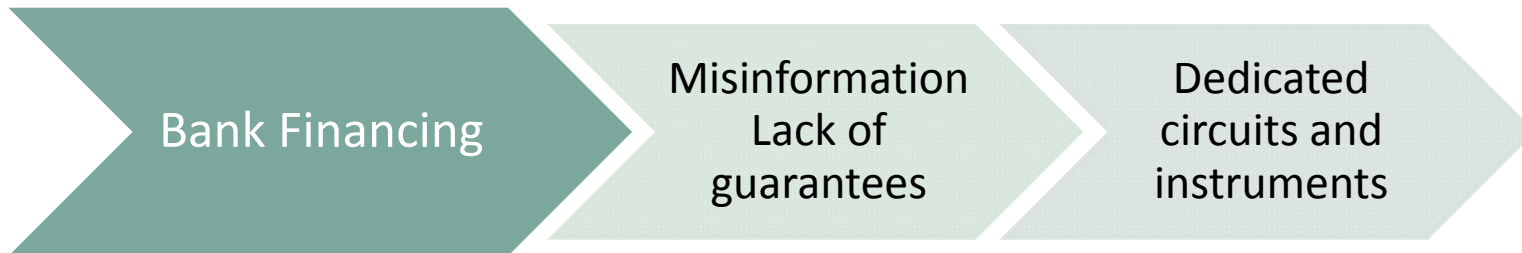
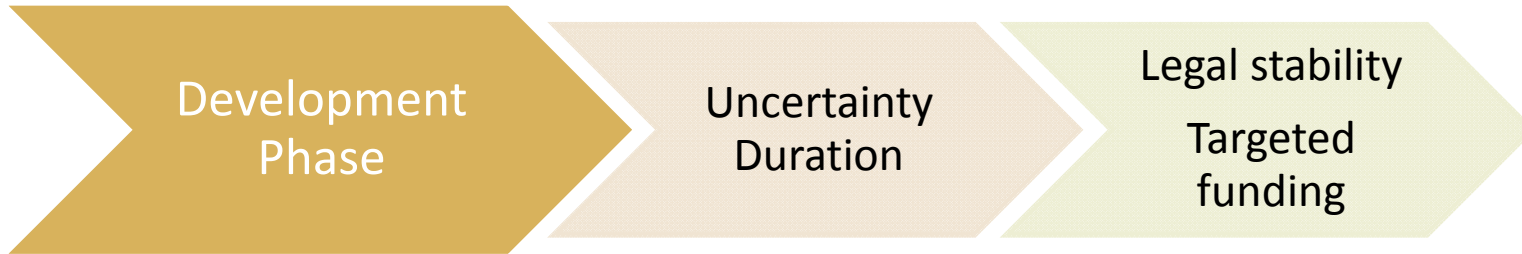
Administrative barriers: cost and access to the grid

- Access and quality of the grid in certain countries have been identified as barriers for REScoops
- Priority access to the grid for RES has been given in several countries

Unstable regulation

- Business model of REScoops are based on current regulation and public support schemes
- **A stable and clear regulation is essential for the development of REScoop projects**

Summary of financial barriers



Where to find the report:

<http://www.rescoop.eu/report-financial-barriers-and-existing-solutions>