

# HORIZON

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ENERGY ENVIRONMENT

## Cutting out the middleman in renewable energy

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KEY THEME: OPEN INNOVATION

by Joanna Roberts



Crowdfunding and cooperatives let people directly connect to solar and wind power. Image credit: Boa Energia

**A growing number of environmentally minded people are putting their money where their mouths are and directly investing in projects such as solar and wind farms, thanks to a rise in community-based financing schemes such as crowdfunding and renewable energy cooperatives.**

‘People have an increased need for alternative investment and that’s what leads them there,’ said Nuno Brito Jorge, chief executive of Portuguese renewable energy company Boa Energia. ‘But they also want to know they are doing something good with their own money.’

Schemes that directly connect people who want to invest with the innovation they’re funding are particularly suited to renewable energy projects, which can struggle to access financing from traditional sources. This is because they often require too much money to get a loan from a bank without having a track record, but too little money to be of interest to an investment fund, who may not find it worth their while performing the required due diligence.

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Brito Jorge runs the EU-funded Citizenergy project, which is aiming to make crowdfunding in sustainable energy simpler and more visible by setting up a [website](#) that matches projects in need of funding with people who have money to invest.

The site aggregates details of projects that are looking for funding and allows people to search by area of interest, country and type of investment. It also allows people to share their experiences and review projects.



*People who invest in sustainable energy through crowdfunding platforms like Citizenergy can also go and see their projects in action. Image courtesy of Boa Energia*

‘Our idea was to create one common platform where citizens from any part of Europe could identify and invest or engage in sustainable energy projects in any other part of Europe,’ said Brito Jorge. ‘We want to be the TripAdvisor of citizen investment.’

### **Cross-border funding**

The site also allows you to filter projects by the country that your funding will be coming from. At the moment this is a vital step because of differences in crowdfunding regulation between EU Member States which mean that, for example, Portuguese crowdfunding platforms can take investors from any European country, while French platforms can only take France-based investors.

Thomas Maidonis, from WIP Renewable Energies in Germany and coordinator of another EU-funded project, CrowdFundRES, says that there are huge differences across the EU when it comes to the popularity of crowdfunding.

‘The UK is the most developed and the most mature (market). It counts for more than 80 % of the crowdfunding amounts (across) Europe, and then France, Germany and the Netherlands follow. It is getting spread little by little to other countries. We really believe that this will change in the coming years.’

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‘We want to be the TripAdvisor of citizen investment.’

*Nuno Brito Jorge, Boa Energia, Portugal*

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CrowdFundRES is looking at ways of increasing this type of financing, focusing particularly on legal

and regulatory challenges. The lack of harmonisation which limits cross-border investment is one issue they're investigating. Another is the fact that some national regulators have ceilings on the amount of money that can be crowdfunded – usually lower than a sustainable energy project would need.

The project has produced guidelines for founders of crowdfunding platforms and sustainable energy project developers to facilitate better understanding and decision-making, and a guide setting out what investors should know before getting involved is also under development.

## Cooperatives

Another model growing in popularity is the renewable energy cooperative (REScoop), which allows people to buy a share in a project, such as a wind turbine or solar farm, get returns on their investment and sometimes even personally use the energy that is generated.

Today there are around 3 000 such cooperatives in the EU, mostly based in western and northern Europe. Some consist of only a handful of people while others are larger – Belgium's Ecopower, for example, has 50 000 members.

However, Daan Creupelandt from the European Federation of Renewable Energy Cooperatives – a membership organisation representing around half the cooperatives in the EU – believes that the sector faces rapid growth.

**By 2050, about half of EU citizens could produce renewable energy themselves.**

- Daan Creupelandt, European Federation of Renewable Energy Cooperatives

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'Today our members represent around 650 000 EU citizens who have already made investments. The total investment is about EUR 2 billion and they are producing about 1 gigawatt hour of energy on an annual basis.

'By 2050, about half of EU citizens could be producing renewable energy themselves, either individually with solar panels on the roof but also in collective projects such as cooperatives.'

Often the motivation for people to get involved in this way is ideological, but there are also financial benefits, says Creupelandt, because unlike energy companies, the primary aim is not to maximise profits.

'Today we see that there are lots of other citizens joining the cooperatives because they are often much cheaper than other suppliers,' he said. 'Ecopower is not a company that wants to maximise profits, for instance. Although they are a renewable energy supplier, they also want their members to save energy. Most utilities sell electricity and they want to maximise their profits and maximise consumption.'

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Creupelandt is involved in the REScoop MECISE project, an EU-funded initiative to make the financing of these cooperatives easier. One idea that they are working to establish is a revolving fund whereby

established cooperatives, who generally raise more money than they need, can lend funds to new cooperatives for their first project, where finance is harder to come by.

They are also working to strengthen links between local authorities and renewable energy cooperatives, and to encourage investment in energy efficiency.

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## The Issue

The world needs to reduce its reliance on fossil fuel-based energy if it is to cut back on greenhouse gas emissions and rein in global warming.

To help with this, the EU has set a target of at least 20 % of energy consumption coming from renewables by 2020.

Many countries are well on track for this. Last year, Portugal ran for four days straight on renewable energy, while for one day Germany got almost all of its energy from renewable sources.

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### More info

[Citizenergy](#)

[CrowdFundRES](#)

[REScoop MECISE](#)