

Energy crowdfunding: the new way to boost renewables

June 7 2016, by Alfredo Ranavolo



Credit: Daria Nepriakhina

It's a brand new sector: the first steps date back to 2012. Today energy crowdfunding is a way of financing solar panel or wind turbine projects. For some people, like Andrew Yakub, founder of a US solar manufacturing company, it will save the planet.

There is already a big annual [conference](#) dedicated to the sector, and a [European association](#) that brings together the platforms involved in renewable energy.

In March 2016, when one of the few [researches](#) in this field was published, there were 29 active platforms worldwide and 13 in the pipeline. The author is Chiara Candelise, an Italian researcher at Bocconi University and London Imperial College. She is also co-founder of the platform [Ecomill](#). It is the first energy crowdfunding project in Italy authorised by the regulatory authority, but not yet operational.

The study has found that the majority (8) of the active platforms are in the USA, followed by Germany (6), the United Kingdom (5) and the Netherlands (4). The three European countries were the first to operate in the sector, some four years ago.

The British groups have been the most active so far. [Abundance](#), for instance, raised £17.7 million across 17 projects, returning 1.47 million pounds to investors. Three other ongoing projects are being financed with more than £800,000 so far. The platform is also part of the European project [CrowdFundRES](#), which aims to unleash the potential of crowdfunding for financing renewable energy projects.

Tom Harwood, Operations Manager at Abundance Investments, explains that "crowdfunding can be a competitive financing option for many renewable energy projects, but it also typically fills a gap in the market for small-to-medium-sized projects which struggle to get funding through traditional sources like the banks." Furthermore, he says that crowdfunding gives people a direct connection to renewable energy projects, increasing local support for them.

But alongside the interest come questions. In the post-London conference report, Jukka Kajan, CEO of [Joukon Voima](#), a crowdfunding

platform in Finland, wrote "the greatest challenge for upscaling operations is the difficulty of providing projects to actually be crowdfunded," suggesting that the projects put forward aren't always worthy of being funded.

According to Harwood, "there are a good number of projects available but a lot of work is required to complete the due diligence and ensure that the project is suitable for investment before it can be opened to the public" and "there is still work to be done to expand the number of investors interested in renewable energy investing".

But there is a whole host of different reasons why investors find the sector attractive. For example, low interest rates across Europe, desire to support renewable energy and environmental causes, and interest in new alternative finance options.

"After a good start," Candelise says, "there are now obstacles preventing energy crowdfunding from moving forward. So far, the projects that have been funded are principally small-and-medium-sized ones in the wind and solar sectors. Now the challenge is to finance energy efficiency, as requested by the European Union." But building retrofitting projects, she adds, are more structured and require more expertise.

Changes in public policy for renewable energy are another challenge in various countries. In the UK, for instance, [Renewables Obligation](#), the first public support scheme for the sector, will not apply to any new generating capacity from 2017.

Harwood confirms: "Within the UK this has disrupted the number of projects available in the short term, but we are confident that as costs continue to fall, renewables will increasingly be able to operate without public support".

On the path to independent growth, offering cross-border investments would surely be an important goal, but significant complexity remains. "For example," Harwood explains, "in France only French residents can invest in a loan offer for a French [renewable energy project](#). There are various policy changes that are being discussed at a country - and European - level, but at the moment some countries are more closely aligned than others."

Dedicated crowdfunding platforms are not the only options. There are also companies that use generalist platforms to finance their projects. As Spanish [Vagalume Energia](#) did, securing in April more than €220,000 on Crowdcube.

"People and companies can be producers and consumers at the same time, and that is revolutionising the traditional system," commented the founder Alejandro Díaz González, "This new energy model which is more sustainable and much more global has kicked off a third industrial revolution".

Provided by Youris.com

Citation: Energy crowdfunding: the new way to boost renewables (2016, June 7) retrieved 23 June 2024 from <https://phys.org/news/2016-06-energy-crowdfunding-boost-renewables.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.