



European Workshop with Crowdfunding Platforms

Proceedings of the Workshop

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CrowdFundRES

Unleashing the potential of Crowdfunding for Financing Renewable Energy Projects



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Abstract

This deliverable reports on the activities carried out within Task 3.3 - Workshop with Crowdfunding Platforms. The aim of this deliverable is to summarise the results of a workshop organised in Brussels on the 24th of May 2016 targeting crowdfunding platforms. The participants included project partners, ECN crowdfunding platform members as well as representatives of crowdfunding platforms involved with RES projects. The results are included in these proceedings of the workshop.

Introduction

As part of the CrowdFundRES project, the European Crowdfunding Network (ECN) organised on the 24th of May 2016 in Brussels a Workshop with Crowdfunding Platforms with the objective to gather and discuss:

- 1) inputs for **guidelines for CF platforms** that support easier, more effective and wider accepted practices in crowdfunding renewable energy projects, and
- 2) inputs for **policy recommendations** to create more favorable conditions for crowdfunding of renewable energy projects.

The participants included project partners, ECN crowdfunding platform members as well as other crowdfunding platform representatives supporting RES projects. The video coverage of the Workshops and all presentations are available on the project website.¹

This report summarises the activities and discussions carried out within the workshop.

First, participants were informed about the latest outcomes of the project (e.g. surveys, practical experience on RES crowdfunding, regulatory analysis and investors' preferences analysis). This was followed by a discussion on issues that are most relevant for day-to-day operation and medium- to long-term perspectives. The work was carried out in smaller groups, drafting the structure of guidelines and policy recommendations to support the establishment and operation of active crowdfunding platforms in the field of renewable energy. The results are included in these proceedings of the workshop.

The Workshop was organized on May 24th 2016 in the event rooms of the Hotel Silken Berlaymont in Brussels. The event hosted a selected group of 18 representatives of crowdfunding platforms and involved the project consortium. The full list of participants can be found in Annex I, followed by the detailed Agenda of the Workshop in Annex II.

¹ <http://www.crowdfundres.eu/news/crowdfundres-workshops-crowdfunding-renewable-energies/>

The Workshop was run alongside the 2nd ECN CrowdCamp with as special focus on crowdfunding for renewable energies, energy efficiency and clean-tech. CrowdCamp involved more than 200 stakeholders, including crowdfunding platforms, renewable energies developers, EU policymakers, clean tech and energy efficiency entrepreneurs to discuss crowdfunding as an enabler of a more sustainable planet. The Workshop participants had the possibility to listen to two selected keynote speeches and network with the speakers during breaks.

Mr. Claude Turmes (the Greens), Member of the European Parliament, held a speech on the status of renewable energy financing in the EU and on his views on alternative finance as a way to enhance investments in RES (figure 1). Following the speech of Mr. Turmes, Ms. Alexandra Sombsthay, Policy Officer at DG Energy, in Renewables and CCS policy held a speech about how the new Renewable Energy Directive 2020-2030 and how RES Financing is covered in this Directive. Both Mr. Turmes and Ms. Sombsthay were available for questions and bilateral talks after their presentations.

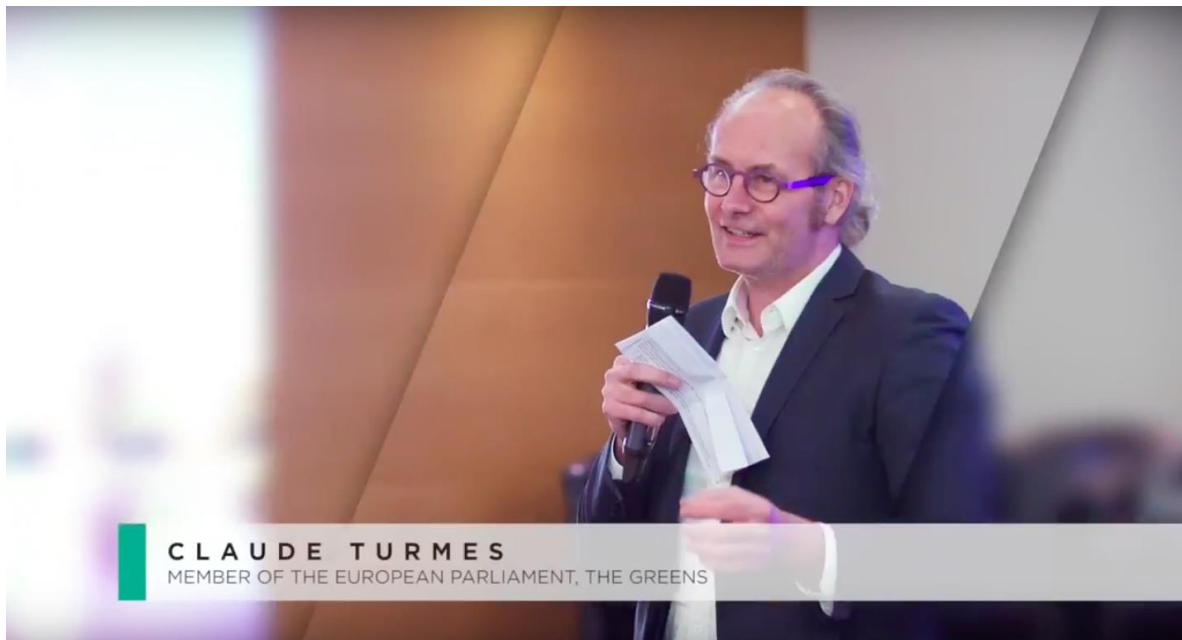


Figure 1: Speech by Claude Turmes, Member of the European Parliament, The Greens

[Workshop with Crowdfunding Platforms]

This report is divided into two chapters: proceedings of the workshop and results of the group work.

After a welcoming speech by Oliver Gajda (ECN) and Thomas Maidonis (WIP Renewable Energies), Karl Harder (Abundance) shared his experience by discussing a number of recent case studies. Matthias Klaes and Ariel Bergmann (University of Dundee) presented the results of the project's EU wide survey. The legal aspects were covered by Tanja Aschenbeck-Florange and Alexander Dlouhy (Osborne Clarke) by discussing crowdfunding regulation and renewable energy market developments in Europe. All participants shared their insights and provided input to the development of guidelines and recommendations for project developers and crowdfunding platforms via break out group discussions.

Proceedings of the Workshop

Welcome and Introduction to CrowdFundRES project

The opening speech by Oliver Gajda (ECN) welcomed the Workshop participants and thanked them taking part. Oliver outlined why it is important for crowdfunding platforms to contribute their experience and expertise with renewable energy source projects (RES) to the CrowdFundRES project.

Thomas Maidonis (WIP Renewable Energies) introductory talk included a brief presentation on the CrowdFundRES project, focussing on both progress to date and the future steps to be taken. Thomas concluded by presenting the agenda for the Workshop and explaining what the participants could expect from the day.

Practical Experience of Crowdfunding – Case Studies

Karl Harder (Abundance) gave a presentation on his own experience of crowdfunding with renewable energy projects. He presented findings from eight case studies, five from Abundance (UK), plus one each from Lumo (France), Oneplanetcrowd (Netherlands) and Green Crowding / Bettervest (Germany).

Karl provided insights regarding the instruments typically used for RES crowdfunding, pointing to the propensity to use the debt model (bonds or loans) over long term periods. He pointed out that regulations are a key driver for the success of a crowdfunding platform. Karl also noted that regulations are a key determinant of crowdfunding success. In this context, he reported that the UK and Dutch platforms (Abundance and Oneplanetcrowd respectively) felt most supported by their regulatory regimes, as they are thought to balance investor protection with platform flexibility. The German platform (Bettervest) viewed extant regulation as good, whereas in France Lumo felt limited by their regulatory framework. The key issues in this latter case were: a)

difficulties with cross-border investments caused by limited application of regulation; and b) secondary market problems (French crowdfunding and MiFiD limitation).

Furthermore, the case studies identified some key challenges to be tackled with RES projects:

- Scaling investor numbers on the platform;
- Policy risk (renewable and financial services);
- Ensuring supportive financial services regulation;
- Consistency of regulation across Europe;

The quantitative data collected from the case studies indicated that between 2 and 5 % of investors in the UK (Abundance) and the Netherlands (Oneplanetcrowd) were non-domicile investors, whereas in France (Lumo) and Germany (Bettervest) none of the investors were foreign-based.

Regarding investor profile, the range from 36 to 50 years of age was predominant in all of the case studies. In terms of gender, a majority (around 2/3) of investors were male in each case. Finally, Karl presented the findings on the mean level of investments executed and these revealed that the highest average level occurred in the UK (Abundance) (7,300 EUR), with figures ranging from around 1,200 EUR to 7,300 EUR. In the Netherlands (Oneplanetcrowd) the mean investment for the case amounted to around 2,500 EUR, followed by Germany (Bettervest) with around 1,200 EUR and France (Lumo) with around 800 EUR.

Crowdfunding regulation and RES market developments

A presentation by Tanja Aschenbeck-Florange and Alexander Dlouhy (Osborne Clarke) described regulations on crowdfunding and RES markets developments in the EU Member States. Osborne Clarke has compiled a 400-page report: “Review of Crowdfunding Regulation & Market Developments for RES project financing in the EU”. The full report can be downloaded on the project website². The presentation summarised the most relevant information in the report,

² <http://www.crowdfundres.eu/wp-content/uploads/2016/06/CrowdFundRES-Crowdfunding-RES-Regulation-in-EU.pdf>

including key messages concerning General Regulation, Prospectus Requirement and AIFMD-Regulation for Member States.

Tanja listed the law firms that contributed to the development of the report and pointed out some key findings relating to Germany. It was noted in the talk that there is new regulation pertaining to Crowdfunding in Germany and that each of the past two years has seen additional regulation on renewable energy (see Figure 2). Tanja suggested that the outlook for the sector in Germany is good whilst Alexander made the point that it is always good to: “know what you buy and know what you sell”.

Country	Regulation		Prevailing Crowdfunding model	Share of renewable energy (target 2020)	Lessons learned	
	CF	RES			"Dos"	"Don'ts"
Germany	✓	✓	lending	18%	<p><u>Crowdfunding:</u></p> <ul style="list-style-type: none"> exception of Crowdfunding from most regulatory requirements (in particular prospectus requirement) three-page fact sheet (<i>Vermögensanlageninformationsblatt – VIB</i>) for investors reduced regulation of the Crowdfunding platform unlimited investment amounts for “professional” investors <p><u>RES:</u></p> <ul style="list-style-type: none"> preferential grid access and marketing of renewable energy generation with cost leverage mechanism on Federal level incentives for decentralised electricity generation and usage 	<p><u>Crowdfunding:</u></p> <ul style="list-style-type: none"> limitation of the Crowdfunding Exception only to (profit-participating) subordinated loans (<i>partiarische Nachrangdarlehen</i>) or commercially comparable investments (<i>wirtschaftlich vergleichbare Anlagen</i>) limitation of EUR 1.000 per investor without additional statements regarding income / wealth for retail investors – should be increased. ban of combination (<i>Kombinationsverbot</i>) – makes parallel investments of professional investors and the Crow difficult <p><u>RES:</u></p> <ul style="list-style-type: none"> increased regulation for new RES Projects, e.g. by implementation of a challenging public tender mechanism delay of implementation of a green electricity market model

Figure 2: A summary of the regulations in Germany (do’s and don’ts)

The key points from Tanja and Alexander’s presentation of the review’s findings are summarized below:

- RES project financing by **Crowdfunding** is **more developed in Western Europe**.
- The market for RES **Crowdfunding** is at a **very early stage in Eastern Europe**.

- 17 of 28 Member States have crowdfunding platforms which include RES Projects as potential investments.
- 9 of these 17 Member States (Germany, UK, France, Italy, Austria, Portugal, Spain, the Netherlands, Finland) have crowdfunding platforms focussed exclusively on RES projects.
- Two Member States (Slovenia and Lithuania) do not have any crowdfunding platforms. Note: One participant stated that Slovenia recently launched a crowdfunding platform.
- Eight Member States (Germany, UK, France, Italy, Spain, Belgium, Austria, the Netherlands) have extant regulation specific to crowdfunding.

Five of these 8 Member States (Germany, France, Italy, Spain, Belgium) have structured the relevant regulations by means of a "Crowdfunding exception" which exempts Crowdfunding from (some or most) mainstream investor protection rules.

- As regards the other 3 Member States:
 - The Netherlands and the UK have specific Crowdfunding regulation (applied in addition to the rules regarding investment in general) issued under the auspices of the respective financial supervisory authorities (AFM/FCA);
 - Austria addresses Crowdfunding via a specific Crowdfunding Act that provides for a legal framework for SMEs seeking funding as well as Crowdfunding platforms (the Alternative Financing Act).
- Several Eastern European Member States have taken (or plan to take) steps to implement specific Crowdfunding Regulation
- The donations and rewards model is prevailing in the Eastern Europe Member States
- 3 Eastern Europe Member States (Croatia, Estonia, Romania) have seen small RES projects funded via Crowdfunding platforms
- Member States without specific Crowdfunding regulation apply regular financial services regulation, although Crowdfunding often fails to dovetail neatly into such regimes.
- Thresholds for exemption from prospectus requirements are highly diverse:
 - e.g. EUR 100,000 in Greece, EUR 300,000 in Belgium, EUR 1 Mio. in France, EUR 2.5 Mio. in Germany/the Netherlands, EUR 5 Mio. in Italy/UK.
- The scope of exemption from prospectus requirements is also very varied:
 - e.g. in Italy exemption is only applicable to particular equity investments;

- exemptions in France and Belgium are only available for specific equity and lending instruments;
- exemptions in Germany are limited to specific lending instruments.

All Member States have implemented **renewable energies regulation**; four broad classes of the latter are in operation:

- *Grid Access*
 - In most Member States, operators of RES power plants are not given priority in grid connection vis-à-vis conventional power plant operators;
 - In the remaining Member States, the (general) non-discrimination principle applies
- *Feed-in of power into the grid*
 - In approximately half the Member States, grid operators are obliged to take-off and prioritise the power produced in RES power plants (“priority in dispatch”) over the power produced in conventional power plants;
 - In other Member States the principle of non-discrimination applies.
- *Subsidy system*
 - Nearly all Member States provide for a subsidy regime in favour of RES power but:
 - The regimes vary to a large extent.
- *Tender regimes*
 - The implementation of tender systems for RES power capacities eligible for promotion has not yet been executed in many Member States

After Tanja and Alexander concluded their presentation, a 30-minute coffee break followed. During this break the participants had the chance to network with European RES project developers and other stakeholders from the sector from the 2nd ECN CrowdCamp.

Stakeholder Surveys on Crowdfunding

Matthias Klaes (University of Dundee) presented an overview of the stakeholder survey results. He explained that three different surveys had been conducted, all running from June 15th until December 2015. One survey focussed on RES developers (WIP Renewable Energies), one targeted

crowdfunding platforms (ECN) and one was aimed at the general public (University of Dundee). Matthias briefly went through the main findings of each survey and explained the key points.

The majority of the respondents to the **platforms survey** (40 %) were specialized in RES projects. As regards the technologies used in these projects, the outcomes show that the photovoltaic process is by far the most common technology, followed by wind energy.

The results of the **developer's survey** indicate that 15 % of the sample had heard about crowdfunding but did not link it to RES financing, and were not aware of the different platforms or models that exist. The majority of the sample (62 %) knew of the crowdfunding notion, but had never used it in practice. Slightly less than 1/3 of the sample knew about crowdfunding, but had never made use of it.

Regarding the experience of the **public**, the results show that a significant part of the population has already engaged in investing in renewable energy source (RES) projects. Those who have not engaged yet are considering doing so. Thus, once investors are properly informed, they are likely to invest in a project.

Matthias Klaes (University of Dundee) wrapped up his presentation by explaining that the results demonstrate cause for optimism regarding RES crowdfunding. He stated that the propensity to invest in RES via crowdfunding is the strongest amongst those with prior experience of it. In addition, growth of crowdfunding was seen as more likely for RES than for investments in general. Finally, Matthias reported evidence that those individuals who invest in RES via crowdfunding do so on the basis of a wide range of potential benefits.

Following the presentation by Matthias Klaes, Ariel Bergmann (University of Dundee) presented the survey results of a study on the quantification of characteristics of investors' decisions in the crowdfunding market. Ariel framed the research question as follows: What characteristics do investors care about and how do they value those characteristics?

The target sample was clearly defined as "potential crowdfund investors". The pilot survey generated 200 responses, of which:

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- 25% of respondents had knowledge of crowdfunding;
- 25% had considered making an investment using crowdfunding;
- 9% had already used crowdfunding to make an investment;

A follow-up survey will be conducted, aiming at determining: (i) how certain characteristics (technology, project phase and type of investment) impact on investors' expected rate of return; and (ii) how those who do not have knowledge of crowdfunding value the characteristics of investments. One participant in the panel suggested asking about the motivation for making investments via crowdfunding in the next study.

Results of the Group Work

In this session, the participants (18 participants plus 11 consortium partners) were split into three break out groups to work on the RES crowdfunding guidelines as well as the policy recommendations for platforms.

Each group was given a handout (Annex III) with a set of statements and questions to be discussed. In this handout the aim and the questions of the group work were explained in detail. Additionally, there was space for comments, which should encourage the participants to note down their feedback and experience.

The participants in each group are illustrated in Tables 1, 2 and 3 (moderators are marked in blue, consortium members marked in green):

Name	Organisation	Country
Matthias Klaes (Moderator)	University of Dundee	UK
Kathrin Kohl	ECN	Belgium
Wolfgang Deutschmann	GREENROCKET	Austria
Uwe Lebelt	ENGIE - GreenChannel	France
Sissy Müller	Green Crowding	Germany
Maarten de Jong	Oneplanetcrowd	Netherlands
Thorsten Witt	ScienceStarter	Germany
Chiara Candelise	Ecomill	Italy
Natalie Jonk	Wallacea	UK

Table 1: Break out group 1

Name	Organisation	Country
Thomas Maidoins (Moderator)	WIP Renewable Energies	Germany
Miguel Casas	Energinvest	France
Michael Psalidas	Crowdpolicy	Greece
Stephanie Betz	WIP Renewable Energies	Germany
Agnese Agrizzi	Idea Ginger	Italy
Carlo Allevi	Fundera	Italy
Yoann Nesme	Orange Bird	Portugal
Jordi Sole Muntada	ECrowd!	Spain
Reinhard Willfort	1000X1000	Austria

Table 2: Break out group 2

Name	Organisation	Country
Ariel Bergmann (Moderator)	University of Dundee	UK
Conny Weber	ECN	Belgium
Karl Harder	Abundance	UK
Sam Manaberi	TRINE	Sweden
Rotem Shneur	Nordic Crowdfunding Alliance / University of Agder	NO DK FI IS SE
Alex Raguet	LUMO	France
Tero Weckroth	Invesdor	Finland
Julien Hostache	Enerfip	France
Yannig Roth	Wiseed	France
Quentin Sizaire	ecco nova	Belgium
Tom Harwood	Abundance	UK

Table 3: Break out group 3

Platform Guidelines

Matthias Klaes (University of Dundee) presented the objectives for the session on guidelines. He explained that in-depth discussions in break-out groups are intended in order to find out further information from the participants:

1. What are the specific challenges for efforts aimed at widening RES participation?
2. What should appear in a guide?
3. How can the contents of a guide be influenced?

The primary goal of such a guide would be fostering more straightforward, effective and widely accepted practices in crowdfunding of RES.

The following section of this report describes the outcomes of the group discussions. All anonymised comments by the participants can be found in Annex IV.

Break Out Group 1

Moderator Matthias Klaes (University of Dundee) started the session by asking the group the following question: **If there was a guideline, what should its focus be and what would help you to accelerate your efforts to achieve this?**

There was consent in the group that there is a need to know which regulations actually apply, and how the RES sector is structured. The group agreed that reliable information is needed about project structure in terms of both finance and investor profile (socio-economic data, demographics, etc.). Such data would be very valuable, the group agreed.

Matthias raised the question of what is holding the platforms back from having RES projects on their platform and engaging more closely with developers. This question revealed a main challenge and obstacle for the platforms, namely the difficulty in engaging with RES developers. This view was unanimous amongst the group. A general lack of access to RES developers was

mentioned, although it was thought to be challenging to convince them that placing their project on a crowdfunding platform would be advantageous.

The group identified the accessing of project developers as a key challenge. More generally, there was general consent that more information about investor choice, value proposition, ethics and investor motives is required. Additionally, information regarding project and sector structure of would be valuable to the group.

Financial literacy was a further aspect discussed in the group, in the context of its role in investors communication.

Anonymised comments by the participants can be found in Annex IV.

Break Out Group 2

This group was moderated by Thomas Maidonis (WIP Renewable Energies). The first problem discussed dealt with the statement: **Is project validation an expensive operation for the platforms and are there high operational costs?**

One participant suggested a method whereby business models could be employed by platforms to lower their due-diligence assessment (validation) costs. The concept involved dividing business models between consultancy, (i.e. the service provided by the platform to assess the eligibility of the project for a crowdfunding campaign) and hosting (i.e. promoting the project on the platform).

None of the platforms claimed to have significant experience with hosting RES projects.

The group found consent regarding the importance of several issues:

- Which kind of projects are eligible to be financed according to both (local) regulatory schemes and users'/investors' perspectives? For example: the range of rates of return, project size, technology.
- Crowdfunding is limited to the extent that the regulation flexibility facilitates meaningful solutions.

As for the setup of guidelines, the group argued that it is important to establish some kind of standardization, for example on the terms and vocabulary used by the platforms. The relatively high risk involved with early stage projects was suggested as being difficult to explain to investors. Hence, guidelines could usefully include tips on how to address the issue.

Break Out Group 3

Moderated by Ariel Bergmann (University of Dundee), this group consisted of ten participants, including five consortium partners. The first part dealt with the question of **why renewable energy is relevant / interesting for crowdfunding**.

Participants' views suggested agreement on the importance of pervasive knowledge about renewable resources, given that the public funding was the ultimate aim. Furthermore, the group raised the point that, given developers' demand for new financing instruments, it might be worthwhile taking out some of their equity as a means of supplementing bank debts.

Each group member acknowledged the importance of engagement with the community in order to encourage investments in renewables.

Anonymised comments by the participants can be found in Annex IV.

Platform Policy Recommendations

Thomas Maidonis (WIP Renewable Energies) presented the next task in the CrowdFundRES project as identifying the key elements of the regulatory and market frameworks that potentially create (un)favourable conditions for the development of crowdfunding for financing renewable energy projects.

Thomas described the CrowdFundRES approach on developing future policy recommendations based on an integrated approach that combines the policy streams adopted by the Capital Markets Union (CMU) and the Energy Union, before relating to the main challenges that have been identified by the CrowdFundRES project team and other sources.

These challenges are:

- Regulatory issues and transparency / trust issues for the (CMU policy stream);
- Financing gaps and regulatory volatility (Energy Union policy stream).

Thomas continued by explaining that the task for the group work was to establish how the two policy streams could be combined **to foster crowdfunding for renewable energy more effectively?**

Break Out Group 1

All the platforms involved in the CrowdFundRES case studies reported that the size of the investor base and the costs of acquiring new investors are the core restraints on growth. Regulatory issues appeared to underline these difficulties and were seen as critical by RES project developers seeking capital. In this break out session the participants were therefore asked to deal with three related questions concerning RES crowdfunding regulation and market growth.

The specific issues raised during these discussions related to the role of any obligatory elements of community funding, the importance of the self-regulation and the possible impact of tax incentives.

Anonymised comments by the participants can be found in Annex IV.

Break Out Group 2

The CrowdFundRES survey of EU citizens revealed that among the factors affecting citizens' decisions to invest through crowdfunding, transparency ranks the highest irrespective of whether the investment is in a RES context or not.

Thus, in this break out session the participants were asked to deal with three inter-linked questions on transparency, confidence and reputation.

Questions: 1) Do you agree that action needs to be taken in order to increase transparency? 2) Where is the need for more transparency regarding crowdfunding of RES projects most marked? 3) Who should do what at a policy level?

The group discussed recommendations on transparency, communication for investors and project dissemination. There is currently no transparency yet. In Belgium for instance, the rules for project developers and investors are not clear, which lead to unclarity in the intermediary fees. The group agreed that there is a necessity to have a regulation on transparency. This regulation could obligate platforms to disclose a minimum set of information to the public. Examples from Portugal and Italy showed that these countries required factsheet to be published by each platform. On the other hand, the group argued that too much regulation would not be good and would rather hamper the growth of the market.

One comment that was made in this context focussed on the issue of attracting investors and how to make the projects “attractive”.

As regards single investments, the group agreed that there should not be a limit to it, while cost of transfer of shares should be less in order to foster growth. Furthermore, the participants agreed that due diligence for developers is necessary for any type of crowdfunding besides donation and rewards, in order to guarantee credibility of the developers. Another solution to increase trustworthiness could be to label platforms (with a quality seal), i.e applying a similar scheme as the code of conduct of the European Crowdfunding Network.

Break Out Group 3

The CrowdFundRES case studies showed, that the size of investor bases and the cost of acquiring new investors are the core constraints to growth, with regulation being the main driver. Regulatory issues were also shown to be critical for RES project developers seeking capital.

Therefore, in this break out group, as in group 1, the participants were asked to consider three interlinked questions about RES crowdfunding regulation and market growth.

Questions: 1) What actions need to be taken in order to help the RES crowdfunding market grow? 2) Are these actions mainly of a regulatory nature? 3) Who should do what at a European and local policy level?

Alex Raguet (LUMO) argued that the single digital market represents a live policy issue for the CrowdFundRES project. However, a general problem of definition exists, as the crowdfunding concept is typically associated with donation; this perspective was shared by the whole group. The crowdfunding notion was seen by the group as currently capturing too many types and definitions. This leads to situations such as the perception of donation / reward being separated from regulatory and consumer decision viewpoints. The group agreed while the definitions should not be generated by regulators, formulations of different investment types should.

The group also discussed the issue of harmonization and the existence of too many national regulations. Whilst pass porting exists, a problem arises when the project is based in another country (i.e. not in the investor's own domain). Barriers for developers could be removed via a stable RES policy that simplifies processes thereby making proposals easier to consider. As regards ceilings and thresholds, the group believed that the per project ceiling should be larger than is currently the case, and suggested 2.5 million Euro as a basis for harmonization.

The issue of wider coverage was addressed and it was suggested that local groups / cooperatives should take the initiative to a greater degree than is currently the case. Participants agreed that the tailoring of products (and messaging) should reflect national specificities, in particular those of a cultural nature. The examples of individual savings accounts (ISAs) in the UK was raised, specifically their role in bringing RE crowdfunding into the mainstream.

Anonymised comments by the participants can be found in Annex IV.

Conclusion and next steps

Before concluding the meeting, Thomas Maidonis (WIP Renewable Energies) and Matthias Klaes (University of Dundee) from the consortium thanked all participants for their contributions and invited them to have lunch in the networking area. Thomas invited the participants to listen to the speeches of Mr. Claude Turmes (Member of the European Parliament) and Ms. Alexandra Sombsthay (DG Energy) at the 2nd ECN CrowdCamp in the conference room next door, after their lunch break.

The main findings of this workshop were as follows:

1. Main challenge and obstacles for platforms to host RES projects:

- A difficulty in **engaging with RES developers** due to a general lack of access to RES developers.
- Issues of **convincing RES developers** that it is advantageous to place their project on a **crowdfunding platform**.
- Little knowledge about the structure of the **RES sector** and the (national) regulations of crowdfunding and RES.
- Relatively high risk with **early stage RES projects** difficult to explain to investors.

2. Group work on guidelines for platforms. Information that would help to accelerate the platforms efforts:

- Information about **project structure** in terms of finance and investor profile (i.e. socio-economic data, demographics, etc.).
- Clear and constructive information on risk, due diligence and **investors profiling**.
- **Standardization** is crucial in regards to terms and vocabulary used by the platforms.
- Inclusion of tips on how to address the issue of explaining the **high risk** involved with **early stage RES projects** to investors.
- Necessity of detailed **explanations about crowdfunding** in RES for citizens.

3. Group work on policy recommendations. Actions to be taken in order to help the RES crowdfunding market grow:

- The **size of the investor base** and the costs of acquiring new investors are the core restraints on growth. Regulatory issues appear to underline these difficulties and were seen as critical by RES project developers seeking capital.
- **Tax advantages** for long-term investments in RES projects through bonds, debt or equity could encourage investment with positive impacts in line with EU goals.
- Regarding **transparency**, engaging publicity and increasing local acceptance at the project development phase and the better use of marketing were all seen as key.
- **Regulation** should not be too stringent, otherwise it hampers the platforms business model.
- (Quality) **Labelling** of platforms could be a solution to increase their trustworthiness, as well as **engaging the public** to achieve **more local acceptance of RE projects**.
- Issue of harmonization: more (pan)-European and **less local regulation** is needed.

These findings will be used to further elaborate the policy recommendations as part of WP 4.

Annex I – List of Participants

No.	Name	Organisation	Country
1	Agnese Agrizzi	Idea Ginger	Italy
2	Carlo Allevi	Fundera	Italy
3	Chiara Candelise	Ecomill	Italy
4	Julien Hostache	Enerfip	France
5	Jordi Sole Muntada	ECrowd!	Spain
6	Michael Psalidas	Crowdpolicy	Greece
7	Miguel Casas	Energinvest	France
8	Natalie Jonk	Walacea	UK
9	Quentin Sizaire	ecco nova	Belgium
10	Reinhard Willfort	1000X1000	Austria
11	Rotem Shneor	Nordic Crowdfunding Alliance (NO)	Norway
12	Sam Manaberi	TRINE	Sweden
13	Tero Weckroth	Invesdor	Finland
14	Yannig Roth	Wiseed	France
15	Thorsten Witt	ScienceStarter	Germany
16	Uwe Lebelt	ENGIE - GreenChannel	France
17	Wolfgang Deutschmann	GREENROCKET	Austria
18	Yoann Nesme	Orange Bird	Portugal
Consortium Partners			
1	Alexander Dlouhy	Osborne Clarke	Germany
2	Alex Raguet	LUMO	France
3	Ariel Bergmann	University of Dundee	UK
4	Conny Weber	European Crowdfunding Network	Belgium
5	Maarten de Jong	Oneplanetcrowd	Netherlands
6	Matthias Klaes	University of Dundee	UK
7	Karl Harder	Abundance	UK
8	Kathrin Kohl	European Crowdfunding Network	Belgium
9	Stephanie Betz	WIP – Renewable Energies	Germany
10	Sissy Müller	Green Crowding	Germany
11	Tom Harwood	Abundance	UK
12	Tanja Aschenbeck-Florange	Osborne Clarke	Germany
13	Thomas Maidoins	WIP – Renewable Energies	Germany
14	Roy Bachet	Oneplanetcrowd	Netherlands

Annex II – Agenda

Workshop on Crowdfunding for Renewable Energy Projects 24th May 2016

AGENDA

- 08:30 **Registration & welcome coffee**
- 09:00 Welcome and introduction to the CrowdFundRES project (ECN and WIP Renewable Energies)
- 09:15 Practical experience of crowdfunding through case studies (ABUNDANCE)
- 09:30 Crowdfunding regulation and RES market developments (OsborneClarke)
- 10:00 Presentation of the Stakeholders surveys on Crowdfunding (University of Dundee)
- 10:30 **Coffee break & networking**
- 11:00 Draft guidelines for platforms and discussion (University of Dundee)
- 12:00 Draft policy recommendations and discussion (WIP Renewable Energies and ECN)
- 12:30 **Networking lunch with RES developers**
- 13:30 Keynote speech from Mr. Claude Turmes, Member of the European Parliament, Group of the Greens
- 13:45 Keynote speech from Ms. Alexandra Sombsthay, Policy Officer Renewables and CCS policy, DG ENER, European Commission
- 14:00 **End of the Workshop**
Possibility to participate in 2nd CrowdCamp and network with its participants

Annex III – Handout for Group Work

Renewable Energy Projects for Crowdfunding Platforms: A Guide

Your name:

Your organisation:

Aim of this Document

This guide summarises principles and insights gathered from the CrowdFundRES project, the aim of which is to help unleash the potential of crowdfunding for the renewable energy sector. It is addressed to those interested in understanding, from the perspective of a crowdfunding platform, some of the key issues relevant to financing a renewable energy project through a crowdfunding platform. The goal is to support easier, more effective and more widely accepted practices in crowdfunding renewable energy projects.

Your feedback please:

Why Renewable Energy?

Crowdfunding is today used to help finance an ever-growing range of activities and projects. While this increasingly includes the renewable energy sector, this sector presently still represents an area where considerable potential remains untapped. In the context of demanding national and international renewable energy penetration targets, a deceleration of uptake could be witnessed recently. Challenging access to finance and restrictions on renewable energy support schemes across Europe has drawn attention to alternative sources of finance such as crowdfunding. There is every indication that, appropriately approached, renewable energy projects offer sound development potential from a crowdfunding perspective, and sharing good practice that facilitates common learning opens up opportunities for new investment in renewables across the EU.

Your feedback please:



Beyond General Crowdfunding Guidelines

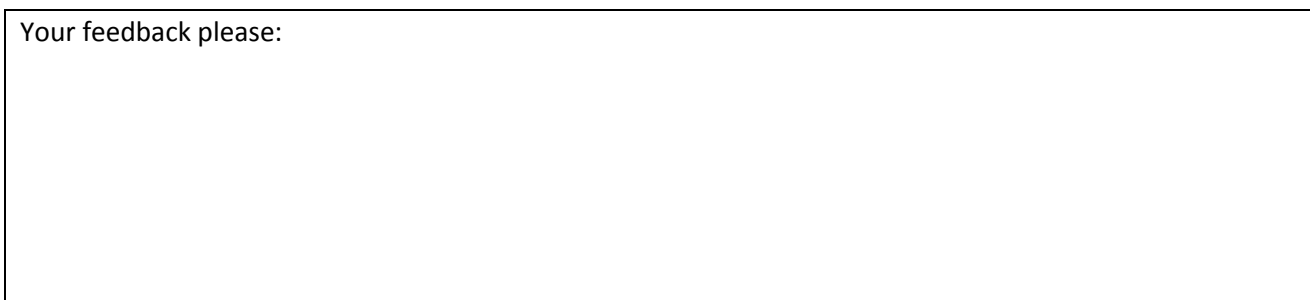
There exists now a plethora of different sources of advice and insight on the launch of crowdfunding campaigns. It is not the aim of this guide to replicate those guidelines, which are readily accessible online and usefully summarised for example in the comprehensive *Guide on Crowdfunding* compiled by the European Commission (<http://ec.europa.eu/growth/tools-databases/crowdfunding-guide/>).

However, crowdfunding of renewable energy projects raises specific issues that require due consideration. These include:

- the specific forms of crowdfunding that are finding application in the renewables sector
- the specific challenges for crowdfunding of renewable energy projects
- the particular attitudes and propensities prevalent among the public as they contemplate their involvement in the funding of renewable energy projects through crowdfunding

The CrowdFundRES project has gathered insight on those issues and this guide reflects those insights, drawing on recent surveys of public attitudes, crowdfunding platforms, renewable energy developers, regulatory contexts, and a collection of case studies.

Your feedback please:

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Renewable Energy Crowdfunding Instruments

A diversity of renewable energy funding instruments is used through crowdfunding platforms. Generally speaking, there has been a trend towards securities, both equity and debt based, while P2P loans are also finding application. This is matched by a propensity of the public to engage with those instruments, even if they have not yet actively invested in renewables through crowdfunding.

It is however important to recognise that the regulatory contexts both of crowdfunding and of renewable energy projects is a key driver of the scope of specific instruments in a national setting. It is thus paramount to carefully consider both contexts in the specific markets that one seeks to

develop. Country-specific considerations should thus be at the forefront when it comes to studying prospect and feasibility, even though cross-border crowdfunding is on the rise.

Your feedback please:

The Prospect and Challenge of Developing Renewables Projects

Entering the market of renewables at significant scale amounts less to a tactical than a strategic decision, which should not be undertaken lightly. Proper setup and management of renewables campaigns requires considerable insight into the specifics of renewable energy projects, in terms of underlying business models, financing arrangements, and legal and regulatory context.

This makes successful diversification or even specialisation into renewables an attractive proposition in an increasingly competitive crowdfunding market overall. The prerequisites for success in this regard do however turn on careful preparation and planning.

Your feedback please:

Renewables and the Crowd

Successful crowdfunding campaigns rely on effective engagement of the crowd with the project to be funded. In the context of renewables, there is some evidence that the public are more favourably disposed to funding renewables projects compared to crowdfunding projects more generally speaking. There is also some evidence that those who have engaged in crowdfunding are more positively inclined to engage in renewables crowdfunding, and those who have already crowdfunded renewables are positively inclined to do so again.

These generally positive attitudes need to be balanced however with the currently still limited depth of national crowdfunding markets for renewables, which points to the importance of proactive marketing campaigns that are required to grow this market further.

Your feedback please:

POLICY RECOMMENDATIONS

RES crowdfunding regulation and market growth

The CrowdFundRES case studies show that for all platforms, and perhaps not surprisingly, the size of their investor base and cost of acquiring new investors is the core restraint to growth. Regulation seems to be the main driver for that. Regulatory issues are critical also for RES project developers seeking capital.

Questions: What actions need to be taken in order help the RES crowdfunding market grow? Are these actions mainly of regulatory nature? Who should do what at a European and local policy level?

Please cover the following among others:

- **Legal definition for CF models and market actors**
- **Cross-border investments**
 - *open CF platforms' operations and services to other EU citizens*
 - *legal framework harmonization amongst EU to enable cross-border investments?*
- **Harmonization**
 - *existing laws and regulations differ significantly across the EU --> a range of CF and RES activity growth rates*
- **Ceilings and thresholds**
 - *Prospectus exemption threshold / ceilings per lender or per campaign / ceilings for professional investors / number of investors*
- **Regulatory barriers for RES developers seeking capital**
 - *stable regulatory framework and support schemes for RES without retrospective changes*
 - *obligations for banks to offer alternative finance options to clients to whom they refuse loans*
 - *RES projects may be sold to third parties once developed --> how is the process affected if crowdfunding is involved?*
- **Wider coverage**
 - *enlarge the scope of companies able to raise funds via crowdfunding in order to also include, for example, cooperatives*
 - *facilitate CF investments also through individual savings accounts (ISAs)*
- **Awareness raising**
 - *emphasize CF as a mechanism that helps fill the financing gap between banks and RES developers*
 - *financial literacy through schools, municipalities, universities and local energy agencies*
 - *engagement in community energy issues (participation vs. compensation methods)*

Comments (more space in next page):

Comments:

Transparency, confidence, reputation

The CrowdFundRES EU citizens survey shows that among the factors affecting citizens' decision to invest through crowdfunding, transparency ranks the highest irrespective of whether the investment is in a RES context or not.

Questions: Do you agree that actions need to be taken in order to increase transparency? Which aspects should be more transparent when crowdfunding RES projects? Who should do what at a policy level?

Please cover the following among others:

- **Access to information**
 - *provide downloadable offer documents / fact sheets with clear information on contractual rules between the platforms and the investors and the processes followed on the platforms and the developers' side*
 - *after sales services to investors and borrowers*
- **Trustworthiness**
 - *credibility checks / due diligence on RES project developers*
 - *labelling of the platforms to increase the public's and RES developers' confidence*
- **Fraud avoidance**
 - *CF platforms must have resolution plans / capital adequacy requirements / client money segregation that ensure loan repayments will continue in the event of a platform collapsing*
- **Project or platform exit**
 - *secondary markets where loans initially issued in a CF platform (primary market) are able to be traded with other investors*

Comments:

Annex IV – Individual comments of group participants (anonymised)

Topic: Platforms Guidelines

Break Out Group I

Question 1: Aim of the document - if there was a guideline, which kind would you need and what would help you to accelerate your efforts?

Participant 1:

- Information on regulation of crowdfunding and RES;
- Analysis of investors' incentives e.g. demographics, income, how much do investors invest, evidence of motivation(s) other than financial return;
- Working with local authorities.

Participant 2:

- Investor specific guidelines would be helpful.

Participant 3:

- Guidelines on how to start / support business.

Participant 4:

- A quality seal or something similar, which demonstrates to project developers and investors that they can trust in a certain platform;
- A checklist of points revealing how the due diligence process has been performed, would help to set a "quality standard."

Question 2: What are the key issues relevant to financing RE projects?

Participant 1:

- Country specific regulation.

Participant 2:

- Clear, constructive information on risk, regulation, IT, due diligence, investor profiling;
- Components of due diligence.

Participant 3:

- A regulatory framework for renewable energy market and players, plus project finance structure;
- Investor profiles -> data is needed on: demographics, their motivation and how much they invest;
- The use RES crowdfunding for individual participation.

Question 3: The prospects for and challenges for developing renewable projects

Participant 1:

- Finance issues; marketing & acceptance of RES projects, service range;
- Obligation to involve public, self-regulation;
- Crowdfunding platforms for RES should offer more than crowdfunding as a tool but also other services to finance.

Participant 2:

- Prospectuses do not usually cover a sufficient range of issues.

Break Out Group II

No additional comments

Break Out Group III

Question 1: Why Renewable Energy?

Participant 1:

- Because renewable energy sources are the property everyone;
- Because we need new solutions for developers regarding financial and acceptability issues;
- To reduce equity loads via mezzanine bonds.

Participant 2:

- Project acceptability improvement;
- Equity complement;
- To overcome „not in my backyard“ resistance to wind projects.

Question 2: Beyond General Crowdfunding Guidelines.

Consortium partner summarising contributions:

- Developers currently do not see an added value compared to loans and securities, because of the relatively small scale of investments typically made through crowdfunding). Flagship projects could demonstrate the market's potential for raising larger capital sums;
- Explaining to investors that crowdfunding is a viable option → financial education and financial risk perceptions;
- Transparency about due diligence process, i.e. who is involved?; what are the requirements?; what about bank partnerships?; where is the added value for platforms?

Participant 2:

- The principal point concerns the necessity of detailed explanations and knowledge about crowdfunding in RES for citizens;
- In France, more financial education is needed.

Participant 3:

- Limited funds for big projects;
- Who is doing the due diligence?

Participant 4:

- Crowds cannot undertake the due diligence required for start-ups.

Participant 5:

- No need for extra guidelines.

Question 3: Which Crowdfunding Instruments for Renewable Energy Projects?

Consortium partner summarising contributions:

- Bonds are the most commonly used instruments;
- Why would I choose a certain instrument?
 - What do investors like?
 - What do developers like?
- Instruments based on type of project
 - Project finance
 - Corporate finance
 - New technologies

Participant 2:

- What type of instruments are most appropriate for particular investor types?

Participant 3:

- Debts make more sense than equity, as RES assets take time to generate returns for project finance.

Participant 4:

- Instrument suitable depends on the „way“;
- Shares are the best where infrastructure ownership is important;
- Bonds are appropriate for participation in electricity deregulation.

Participant 5:

- Regarding instruments → equity is appropriate for start-ups in the energy sector.

Participant 6:

- Typically, equity is preferred for long-term risky investments.

Policy Recommendations

Break Out Group I

Questions: 1) What actions need to be taken in order to help the RES crowdfunding market grow? 2) Are these actions mainly of a regulatory nature? 3) Who should do what at a European and local policy level?

Participant 1:

- The matching of funding schemes could be „obligatory“. Therefore, when project developers ask for (public) financial support, the existence of a CF campaign for the first x amount should be required.
- Italy does not yet have a CF market for energy.
- Italy allows only equity CF. A hybrid model would be useful in Italy if it led to extra flexibility in the application of models and, hence, increased opportunities for the financing of RES projects. Changes in policy that improve platform stability are seen as particularly desirable in this context.
- Fraud protection would be helpful in Italy, given regulatory uncertainty.
- Local communities could ask for grants if crowdfunding or cooperatives are involved.
- Harmonization, co-funded by the EU, is needed. This could operate in a similar manner to bank guarantees for startups. The share of new development in the hands of locals via cooperatives or crowdfunding would be key.
- Tax advantages for investors are needed, with similar tax advantages for startup crowdfunding.
- Regulation should not be so stringent as to mean that only big players can “win”. Excessive regulation could impact negatively on transaction costs.
- A self-regulated market for CF platforms would benefit RES projects.
- Regarding transparency, access to smaller developers would be useful.
- Regarding going beyond general crowdfunding guidelines, the following would be important:
 - new instruments;

- offering services;
- working with local authorities;
- engagement.
- Regarding “Renewables and the Crowd“:
 - Involving locals financially;
 - Regional or national laws.

Participant 2:

- RE development is important, including obligatory participation by citizens (e.g. France or Schleswig-Holstein).
- Raising program awareness could help society as a whole.
- Tax advantages for long-term investments in RE projects through bonds, debt or equity could encourage investment with positive impacts in line with EU goals.
- Regarding transparency, engaging publicity, increasing local acceptance at the project development phase and the better use of marketing were all seen as key.
- Regarding the issue of moving beyond general crowdfunding guidelines the following points were made:
 - the use of bonds and lending is important for project developers;
 - equity-based schemes are appropriate for cooperation;
 - a problem exists regarding long-term financing horizons and the level of competition for financing offers.
- Regarding “Renewables and the Crowd“ it was suggested that clear crowdfunding regulation with acceptance of foreign EU members is key.

Participant 3:

- There should be tax advantages for investors that invest in (RES) crowdfunding projects as this would represent a real acceleration of market growth. Combining this development with harmonization / cross border investment-focussed moves would be a big step in the right direction. RES crowdfunding could also be connected to (national) public funding programs with schemes along the lines of offering 1 million euro when 200k is raised via crowdfunding.

- Regarding transparency, renewable energy was thought to be something that people trust slightly more than start-up crowdfunding in general, similar to real estate crowdfunding, but perhaps a little more glamorous.

Break Out Group II

No additional comments

Break Out Group III

Questions: 1) What actions need to be taken in order to help the RES crowdfunding market grow? 2) Are these actions mainly of a regulatory nature? 3) Who should do what at a European and local policy level?

Participant 1:

- A legal definition needed for clarity of “models”.
- Openness and freedom are important for cross-border investments
- Harmonization in the context of Passporting / MiFiD.

Participant 2:

- Consumer protection is key for confidence
- Having a mini prospectus when raising significant amounts of money makes sense.

Participant 3:

- More pan-European (and less local) regulation is needed.