

OUTCOMES

WORKSHOP ON PARTICIPATORY FINANCING
7 OCT 2016 | CLIMATE ALLIANCE CONFERENCE | KREMS (AT)



Climate Alliance

Participatory Financing Workshop – Lessons Learned

International Climate Alliance Conference
7 Oct 2016 | Krems Austria

The workshop

Climate Alliance members have ambitious climate and energy projects in the pipeline, but their implementation depends heavily on financial feasibility. In an effort to circumvent the challenges of conventional financing, local authorities are increasingly experimenting with alternative financing schemes to mobilise private investments. By directly involving residents and local businesses, participatory financing can also bring increased public support for local action on climate change, instilling a culture of climate action while supporting local authorities in meeting ambitious climate goals.



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The set up

This workshop investigated good practice examples of financing for the people and by the people, examining how local authorities exploit such mechanisms to build support and intensify investment in the field of climate and energy. Participants first brainstormed on recurrent barriers they face when attempting to launch participatory financing models and then were given the opportunity to look at a variety of financing models, ranging from ESCO financing and launching a “one-stop-shop” to local authority use of crowdfunding and cooperative models. The speakers

Examples and input were given by three main speakers who shared how they addressed challenges brought up by the group in their own areas:

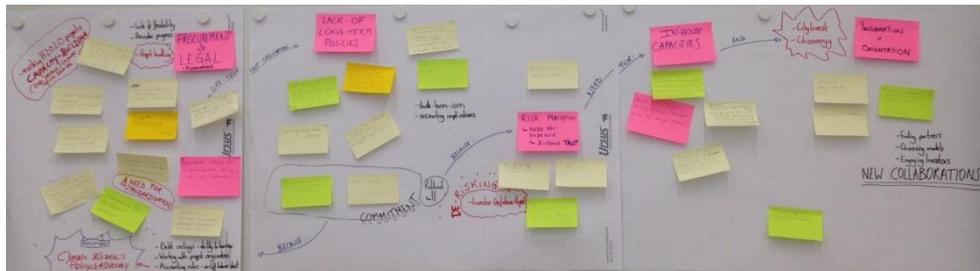
- **Konstanze Stein** from the Climate Protection and Energy Agency (KEA) of Baden-Wuerttemberg explained the training of the municipalities in the Energy Performance Contracting model, which they are even using for deep energy retrofits (via the **EnPC INTRANS project**)
- **Nuno Brito Jorge**, Coordinator of Citizenenergy, introduced two examples of how municipalities can make use of crowdfunding (**Swindon common (UK)**, via Abundance Generation) and cooperatives (**Mangualde (PT)**, via the Coopernico cooperative) for sustainable energy projects.
- **Eftima Petkova**, Director of the Department for Economic Development in Smolyan, Bulgaria, illustrated how her municipality collaborates with six others in the Rhodope Region to launch a one-stop-shop model, aimed at getting energy efficiency investment projects off the ground while mobilising the entire value stakeholder chain (via the **CITYInvest project**).

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Key insights

During the discussion, bridges between the first challenges identified and potentials to overcome these were explored. Some main points can be derived:

- Long-term political commitments are important for the creation of **stable investment environments and incentives**, such as in the case of the Energy Efficiency Law in Austria.
- Psychological barriers when it comes to community financing can be lowered if the **model used suits the situation and the public in question**.
- There are clear **social benefits** to participatory financing for energy efficiency and renewable projects, as these help **instil a sense of community and help the public take ownership** – this must be realised and better communicated.
- We need to be realistic when trying to **combine ESCO financing with crowdfunding**; in the near future this may only be possible with energy savings projects taking place within common market practices (the most profitable ones – not always the most ambitious ones).
- **Debt ceilings** pose a major problem for local authorities – **cooperative and crowdfunding models** can help municipalities get around debt ceilings for renewables as well as heating and cooling systems by founding or enlisting private companies to own the installations and seek funding. In this way, municipalities often needn't directly engage in such models. This unfortunately doesn't work with many energy efficiency measures (lighting, insulation, windows) as these are part of a public building, are owned by the municipality and thus contribute to municipal debt.
- Far more than new innovative solutions – we need replication and adaptation of the innovative solutions we already have: examples include those of the aforementioned speakers.

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Open questions

We of course do not currently have all the answers. The workshop also identified some open questions and action points:

- Especially regarding energy efficiency, how do we move away from the “cherry-picking” of projects that can be deemed “low hanging fruits” and move towards projects with higher ambition such as deep retrofitting? Such projects are considered less bankable and have long payback periods but are vital to preventing lock-in effects – for example, by focusing on easy-to-finance measures such as lighting and neglecting deep retrofits of the building envelope.
- Legal capacity building for municipalities is needed to assist with the aggregation of projects (bundling) as well as balancing risks and benefits. Local authorities may also face significant procurement barriers making it difficult to work collaboratively with potential solution providers.
- How can we overcome the devastating accounting barrier of debt ceilings, for examples, when an entire energy efficiency project in a public building has to be counted as capital formation, raising the debt level and going entirely year one’s balance sheet?
- How can we convince the financial sector to go for long-term investment in projects when new political coalitions can so quickly change the scope?
- How to do we lower high transaction costs due to current perception of risk? Standardised contracts, monitoring and verification mechanisms are sorely needed as is the building of trust in the market.

Next steps

Climate Alliance offers a variety of assistance on the subject of financing. The CITYinvest project, for example, has benchmarked and compared **24 existing financing models** for energy efficiency and small-scale renewables. It has also developed a **toolkit on one-stop-shop models, step-by-step guidance and templates to build local action plans**. The Citizenenergy project has resulted in the world’s first platform (www.citizenenergy.eu) offering sustainable energy projects from both cooperatives and crowdfunding platforms that the public can choose to support. The platform will continue to grow. The newly established Sustainable Energy Investment Forums will take action with the EU Commission and Member States to accelerate investment rates in energy efficiency by making better use of existing funds, financial instruments and technical assistance. Last but not least, all Climate Alliance members who are interested in continuing the discussion and staying in the loop are very much welcome to join our **Working Group on Financing** (last update [here](#)) by contacting financing@climatealliance.org!