Interreg Euro-MED

Co-funded by the European Union

EnerCmed

FINANCIAL SUPPORT FOR THE PROJECT

Author: Meneghetti Matteo

Upfront Investment Support

The primary financing tools that support renewable energy projects can be divided into the following two groups: Upfront Investment Instruments and Sustained Financial Support. The former helps reduce the initial costs associated with investments in energy efficiency and/or renewable energy projects, while the latter renders operational support throughout the project's lifespan. Both groups are further divided into public and private financing opportunities.

UPFRONT INVESTMENT SUPPORT

Public financing opportunities

- Government Grants: subsidies provided at various levels of government to support strategic but less profitable sectors, in return for strict criteria to qualify for the grant. Government grants are further divided into capital contributions, asset-related grants and operational grants.
- Subsidized Public Loans: loans offered at more favorable terms, like lower interest rates or extended repayment periods, to stimulate innovation and economic development.
- Tax Credits and Tax Credit: Transfers: an indirect public grant where the government supports investments by reducing the investor's tax liability instead of providing direct funds.

Private Financing Opportunities

- Subsidized Private Loans: financing options from private banks with favorable terms backed by state initiatives and/or guarantees. The favorable loan conditions for subsidized private loans are similar to those of public loans, although the interest rates are typically not zero.
- Equity Crowdfunding: methods for raising capital from multiple investors in exchange for equity stakes or loan repayments.
- Lending Crowdfunding: form of fundraising, in which investors do not receive ownership staked but become creditors.

Upfront investment support contributes to the **reduction** of the **initial costs** of energy efficiency or renewable energy projects

- Green Bonds and Green Basket Bonds: bonds issued to fund renewable energy projects with added incentives like tax exemptions. In the first case the issuer is normally a bank or a state agency, while in the second one this role is allocated to SMEs.
- Long-Term Rental: a financial solution that enables the use of a photovoltaic installation without requiring its ownership. The rental fee is classified as an operational expense rather than a capital investment, providing fiscal benefits. This model may not be suitable for small-size renewable installations.
- Technological Leasing: unlike long-term rental, leasing is considered a capital investment, which allows the lessee to eventually gain ownership of the system. This model is most suitable for long-term ownership option is on the table.

SUSTAINED FINANCIAL SUPPORT

Public financing opportunities

- Ongoing Tax Benefits: tax deductions or exemptions to encourage continued investments.
- Renewable Energy Certificates (RECs)/Guarantees of Origin (GOs): tradable instruments that verify the origin of the electricity produced from renewable energy sources.

Sustained Financial Support renders **operational support** throughout the project's lifespan

- Feed-in Tariffs (FITs): guaranteed payments made by government entities to renewable energy producers, usually at above-market prices, to stabilize income streams for projects.
- Net Metering: systems that allow renewable energy producers to offset energy costs by injecting excess electricity into the grid. the owner receives either monetary compensation or a credit on their electricity bill.
- Production-Based Incentives: governmental rewards based on the quantity of renewable energy produced.
- Sharing-Based Incentives: incentives based on shared self-consumption of the energy produced locally.

Private financing opportunities

- Power Purchase Agreements (PPAs): contracts that provide long-term, predictable income for energy producers by selling electricity to buyers. These agreements can vary in terms of pricing and delivery mechanisms.

EnerCmed
Interreg Euro-MED
Co-funded by the European Union