

Crowdfunding

A financing solution for energy (efficiency) investments in businesses?

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Panel 5 Business models & financing

New financing approaches involving digital platforms and de-risking initiatives

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How it works – the basic model

(Online-)Platforms facilitate implementation



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Monetary reward = *Crowdinvesting*

Non-monetary reward = *Crowdfunding*



Crowdfunding - With monetary reward

⇒ **Lending/Debt based** (frequently used, esp. for established businesses)

Often subordinated (unsecured) loans, interests higher than for loans with high collateral requirements, but higher risk for investor. In case of bankruptcy other creditors will be paid first, thus, investors risk partial or total loss of their money!

Some models combine basic fixed interest rate and bonuses depending on the performance of the company or activities by the investor (e.g. 3 orders/year).

⇒ **Equity based crowdfunding** (rather for start-ups)

E.g. profit participation rights/certificates. Also risk of total loss of investment.

Crowdfunding - Without monetary reward

⇒ **Reward based**

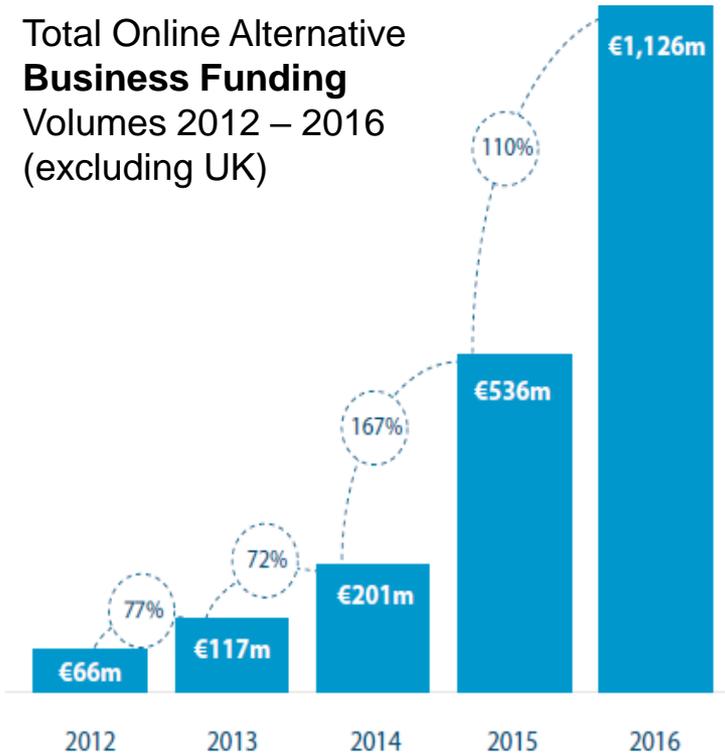
often rewards **in-kind**, e.g. the company's product, provided the company/product development is successful (very popular with breweries & wineries, projects financing product innovations), special investor's events, etc.

⇒ **Donation based**

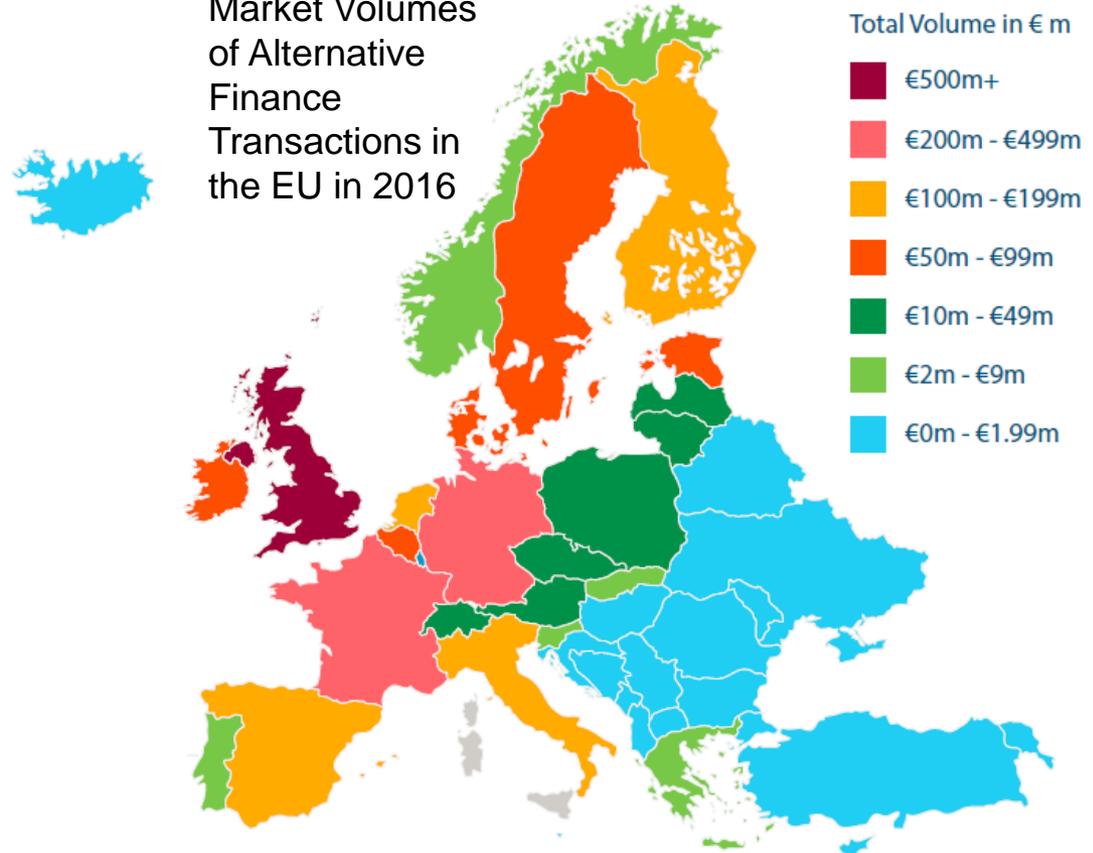
no tangible reward – except the „warm glow“

European Online Crowdfunding Market

Total Online Alternative
Business Funding
Volumes 2012 – 2016
(excluding UK)



Comparative
Market Volumes
of Alternative
Finance
Transactions in
the EU in 2016



Rapid growth: digitalisation as enabler, low interest rate environment,
bespoke legal framework in several countries

**Can this market be harnessed to finance sustainable energy measures in
businesses?**

Examples – Energy Related Crowdfunding Projects (1/2)

simon - Das Mini Kraftwerk

Informationen vom Projektinhaber



Stand der Unterstützung

115 %



Reward-based Funding Projekt

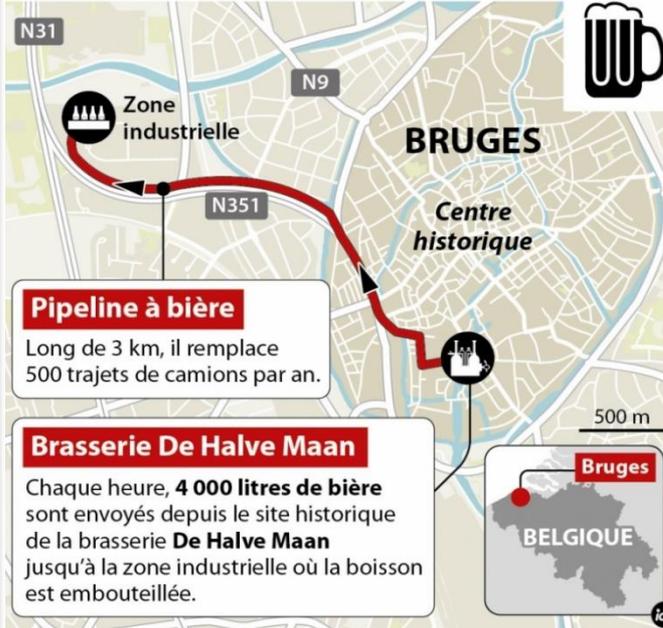
€ 654.223 finanziert, Start ab € 567.000
 965 Unterstützer mit durchschnittlich € 604
 AT, Product development, Reward based ("presale")

BE, Transport Reduction
 Reward based (guess 😊)

Premier pipeline à bière en Belgique

Bruges, « la Venise du Nord », est classée au patrimoine mondial par l'Unesco

• Coût : 4 millions d'euros en financement participatif
 • Les plus gros donateurs auront le droit à une bière gratuite par jour... jusqu'à la fin de leur vie.



AT, rooftop PV Lending (subord.)

ERFOLGREICH FINANZIERT

100% steirisches Ökostrom Projekt

Thalheim, Österreich

Investieren in eine nachhaltige Zukunft mit attraktiver Rendite. Ein österreichisches Photovoltaik-Projekt von Clean Capital mit ÖMAG-Tarifgarantie.

111% finanziert 144.500€ investiert 90 Investoren

- At first startups & product development, then increasingly also established businesses for market expansion, investments
- Many PV projects, some wind, biomass, geothermal

Examples (2/2)



Energia

Climatización eficiente para centro educativo - AUREA - Aurea-Girona

Proyecto de eficiencia energética para la renovación de equipos de climatización. Subst...

DÍAS RESTANTES:

IMPORTE : 15.300€
 INTERÉS ANUAL:
 PLAZO: 36 MESES

ES, efficient airco Lending



Energia

Renovación de calderas en panadería centenaria - ENERKIA-2 - La Fuliola

Financiación colectiva de renovación de las calderas de una panadería centenaria, que dej...

100%
 IMPORTE : 20.400€
 INTERÉS ANUAL: 5 %
 PLAZO: 60 MESES
 INVERSORES: 77

ES, new boiler, Lending



BE, CHP in dairy Lending (subord)

Consumption CO2 évité
 4.500 ménages 34.500.000 km
 250.000€ sur 250.000€
 100%

Taux d'intérêt annuel 6,00%
 Durée 9 ans
 Rendement global 54,00 %
 TYPE Cogénération
 LIEU Walhorn 1ER REMBOURS. 01/04/2018
 ÉCHÉANCE 30/06/2017 RISQUE
 Ce projet a été financé avec succès.



erreicht in 66 Tagen

BHKW im Fitnessstudio Massa in Kirchheimbolanden

DE, Micro CHP Lending (subord)

37t CO₂ Einsparung
 8 Jahre Laufzeit | 7% Rendite
 82.150€
 82.150€ von 139 Investoren

MEHR DETAILS

Sources:
<https://www.bettervest.com/de/vermittelte-projekte>
<https://www.econova.com/project/cogeneration-walhorn>
<https://www.ecrowdinvest.com/ver-inversiones>

Pure energy efficiency projects are still hard to find, and in industry even harder!

What's in it for the borrower/beneficiary?

- **Funding** for the investment, independent from the often very restrictive conditions (collateral, credit history,...) that banks need to apply.
- Interest rate between bank financing and venture loans, approx. similar to unsecured bank loan.
- If well constructed, crowd capital (equity, or long duration subordinated loan,...) strengthens own capital, may increase ability to get further bank funding.
- Investors have no formal influence on management.
- **Communication** opportunity: Campaign itself, ongoing PR support by platform
- Investors as ambassadors for „their“ businesses (customer loyalty, recommendations, social media multipliers, useful contacts for start-ups, may reduce NIMBY issues)

What does the borrower have to invest?

In terms of TIME

- Information about the company/project for initial screening by platform operators
- Preparation and implementation of funding campaign – information documents, video, (social) media presence, interaction with interested public,... - and periodic information to investors afterwards.
- Mobilize own contact network!

In terms of MONEY

- For the investors: reward as agreed (e.g. in kind, loan repayment + interest, share in profit...)
- For the platform: agreed fee. Often small fixed fee + share of amount raised if „funding threshold“ is achieved + different post campaign service packages.

When is a crowdfunding campaign worth thinking about?

Success factors to consider	Fulfilled by typical “energy efficiency in business” project?
<p>Business and investment project easy to understand & communicate?</p> <p>(“Story”, competence to implement, viability, credibility)</p>	<p>Positive connotation of sustainable energy projects</p> <p>Energy efficiency in industry more difficult to visualise, emotionalise than e.g. RES or “cool new product”</p>
<p>Are communication & PR activities perceived as a major benefit and actively pursued?</p>	<p>More relevant for some sectors than others. E.g. food & beverage, hotels, consumer goods (Possibilities of “goodies”, customer loyalty)</p> <p>Question of company culture (Talk about money in public?, Risk of failure?)</p>
<p>Would publicity jeopardise success? (IP issues)</p>	<p>Not problematic</p>
<p>Sum required large enough to justify transaction costs? (> 50,000 EUR rule of thumb – other examples exist)</p>	<p>Project specific</p>

Is crowd funding a relevant model for sustainable energy measures in businesses?

- It still is a niche market compared to conventional bank lending
- It is not “cheap money” and not a panacea for businesses with difficult access to bank finance
- It can be an interesting alternative for projects and companies with a well communicable “story”, and for whom the marketing and PR benefits of the campaign are an asset.

Future relevance will depend on

- Access to traditional finance becoming easier / more difficult (banking regulations, interest rates and conditions,...)
- Public awareness and perception of crowd funding (risk of few “black sheep” destroying trust...)
- Developments in related legal framework. e.g. *EC proposal for a regulation on European crowd funding services providers (March 2018)* aims at defining minimum criteria for transparency, governance, risk management and at facilitating cross-border operation of platforms.

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Sources / Further Reading

- 📄 Cambridge Centre for Alternative Finance (2018) „Expanding Horizons – 3rd European Alternative Finance Industry Report“:
<https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/expanding-horizons/>
- 📄 European Commission (2018) Proposal for a Regulation on European Crowdfunding Service Providers (ECSP) + Accompanying documents
https://ec.europa.eu/info/publications/180308-proposal-crowdfunding_en