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# STRENGTHENING THE ROLE OF CROWDFUNDING PLATFORMS IN THE ENERGY TRANSITION | *Policy Brief*

## INTRODUCTION

This policy brief was compiled to inform and give tailored advice to regional, national and EU- authorities on policy development in the field of sustainable energy transition and energy democracy in Europe. In particular, it **aims at supporting crowdfunding platforms in the**

**enhancement of renewable energy (RE).** Crowdfunding platforms enable citizens to pool their resources in RE projects, primarily via online platforms. Thereby, they play a major role in the EU energy transition and can further strengthen energy democracy.



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## SETTING THE STAGE FOR CROWDFUNDING IN EUROPE: THE REGULATION ON EUROPEAN CROWDFUNDING SERVICE PROVIDERS (ECSPR)

In the past, the regulations on crowdfunding had been fragmented across Europe, with a range of national particularities. With the [Regulation on European Crowdfunding Service Providers \(ECSP\) for business](#) the first harmonized legislative framework for Crowdfunding Services in the EU was set up in 2021. It applies directly across all EU Member States.

This pan-European legislation was long awaited by the crowdfunding industry, yet the application of this new regulation remains challenging in some European countries. Our research shows, that the challenges comprise administrative and financial efforts for both the crowdfunding service providers and the national regulatory bodies. In order for the crowdfunding service providers to be able to apply for a licence with their national Financial Supervisory Authority (i.e. the National Financial Supervisory Authority, such as BaFin<sup>1</sup> in Germany or AMF in France<sup>2</sup>) according to Art. 12 ECSPR, changes in national law and in the administrative and bureaucratic processes of these agencies will be necessary [1]. Hence, if not already executed<sup>3</sup>, the national legislators and regulators are well advised to proceed with the necessary changes to be able to continuously give crowdfunding service providers the possibility to operate (ECSPR).

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<sup>1</sup> [https://www.bafin.de/DE/Startseite/startseite\\_node.html](https://www.bafin.de/DE/Startseite/startseite_node.html)

<sup>2</sup> <https://www.amf-france.org/en>

The EU allows for a transitional period until the new legislation enters into force on national level. This means that crowdfunding service providers regulated under national laws prior to November 2021 are exempted from ECSPR for a two-year period of time and can still operate under national law until 10th November 2023 [2]. After that date, currently exempted crowdfunding platforms can only continue to operate, if they receive a license under this new legislative framework. Hence, existing crowdfunding service providers that have not received authorisation to operate by 10th November 2023 will have to stop their operations temporarily until a license is granted under ECSPR [3]. For some of the European countries with a well-established renewable energy crowdfunding industry (such as the Netherlands or France) this could imply economic disadvantages. Under ECSPR crowdfunding service providers operating are free to choose the location of their licensing regime. For some of the providers, choosing a different state other than the home state might be more advantageous (e.g. in terms of taxation) [3]. Accordingly, crowdfunding service providers need to assess their options carefully until the end of the transitional period (10th November 2023) and apply for their licence according to ECSPR with their National Financial Supervisory Authority.

In our research, we conducted group discussions bringing together relevant **regional policy makers** and actors from the crowdfunding industry from

<sup>3</sup> With regard to the seven target countries considered for this policy paper (Portugal, Croatia, Germany, France, Romania, Spain, UK,) Portugal is the only European country that has not yet applied ECSPR.

different nations across Europe. Such dialogues foster peer-learning and can consequently contribute to the uptake of renewable energy crowdfunding. Hence, the **EU Commission** can support this development by facilitating dialogues such as expert workshops, by addressing not only the new legislative framework under ECSPR, but also by fostering peer-learning through renewable energy crowdfunding best practices in particular. As a concrete example, the French *Bonus Participatif* introduced in 2015 helps to promote the financial involvement of municipalities in local community renewable energy projects [4; 5]. This has driven the growth of the renewable energy crowdfunding market in France.

With the ECSP regulation the EU Commission sets the stage for common rules on crowdfunding in Europe. The European crowdfunding industry is in favour of this harmonized set of rules and sees it as a positive development for the uptake of their innovative financing model. Nevertheless, the EU Commission could further improve its efforts on raising awareness about the concept of crowdfunding as a viable tool of financing renewable energy projects. Accordingly, it should continue to consider crowdfunding research and capacity building measures in their funding programmes such as Horizon Europe and others. This way, relevant actors across Europe can conduct joint research and in turn foster the uptake of and the knowledge about RES crowdfunding.

The current energy crisis shows the urgency to accelerate the clean energy transition. Therefore, the support of

innovative financing models such as renewable energy crowdfunding (and energy cooperatives alike) will need to move higher up on the EU and in particular on the national agenda.

#### **AWARENESS-RAISING AND CAPACITY BUILDING MEASURES**

Experts recognize that there still appears to be little awareness of the existence of RES Crowdfunding among the general public and in particular amongst potential supporters in most of EU countries (e.g. in Croatia). With the ECSPR the EU Commission set up a harmonized framework for Crowdfunding after decades of different national laws. This is a sign of support and can strengthen the industry. Nonetheless, there is still a lack of awareness raising measures on EU and on **national or regional level**. In particular, stakeholder dialogues between banks, municipalities and renewable energy project developers seeking capital should be established to further increase the awareness of renewable energy crowdfunding. This can strengthen the **role of municipalities** as a potential cooperation partner and it can bring together the community (potential investors) with renewable energy crowdfunding projects. Additionally, the lack of financial literacy is continuously stressed by experts: the relevant actors, such as crowdfunding platforms, municipalities and local energy agencies, need to make citizens aware of the different financial instruments (lending or equity crowdfunding) that they can invest in and benefit from.

## MUNICIPAL INVOLVEMENT

Overall, municipal involvement in terms of (financial) support and cooperation provides reliability and can build trust in the concept of crowdfunding and in RES projects in particular. Our research shows that one reason for the absence of good-quality renewable energy crowdfunding service providers is the lack of **municipal support** (e.g. in Croatia and Portugal) [5]. Creating more awareness amongst the municipalities is one key factor for the uptake of renewable energy crowdfunding. Platforms should improve their efforts in engaging with municipalities by promoting the importance of their innovative measure to finance relevant energy projects in times of the ongoing energy crisis.

As **local authorities** themselves can engage directly in crowdfunding projects (civic crowdfunding) or even be supported by crowdfunding (see the innovative model of the UK platform Abundance) their involvement helps to encourage citizen participation and promotes crowdfunding as a viable tool of financing renewable energy projects at the same time. Our research found that the involvement of local authorities on municipal level are essential for providing reliability and at the same time promoting renewable energy crowdfunding amongst the local community [5].

## FINANCIAL INCENTIVES ON THE NATIONAL LEVEL

Research shows, that progressive crowdfunding regulations on national level and tax reliefs correlate with high volumes (i.e. funds collected through

crowdfunding) in the industry [6]. Therefore, well designed support schemes at national level are key to foster the uptake of renewable energy crowdfunding. Such support schemes should include two main aspects: 1) tax benefits for citizens to foster their participation in RE crowdfunding projects and 2) municipal involvement (monetary and non-monetary) to increase visibility, acceptance of RE projects and financial stability of the projects.

The outcome of our dialogues with relevant stakeholders also show that tax incentives for investors (e.g. tax exemptions for capital investments in renewable energy projects) are one way to boost crowdfunding investments and can consequently contribute to the growth of the renewable crowdfunding market (as seen in the UK, Belgium and France for instance) [6]. In Portugal crowdfunding investments are taxed similarly to traditional bank products and the national incentive framework mostly benefits large renewable energy projects. This in turn hinders the uptake of crowdfunding in Portugal, as our experts stated [7].

With regard to financial participation of the local communities, France serves as a good example. The country has implemented a concrete measure called “bonus participatif” that fosters the financial involvement of municipalities in renewable energy crowdfunding projects. After its introduction in 2015, the French crowdfunding market experienced an enormous growth from 167 million Euros of funds collected through crowdfunding (2015) to 1880 million (2021) [8].

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