



European
Commission

EU renewable energy financing mechanism

September 2020
#EUGreenDeal

> What is the EU renewable energy financing mechanism?



A new initiative of the Commission to support renewable energy projects starting from January 2021, by:

- bringing together investors and project developers;
- improving the efficiency of investment, pooling resources and finding the right mix between public and private finance;
- making it easier for EU countries to work together.

This new mechanism **will increase investment in our renewable energy production capacity**, and contribute to the clean energy transition and the European Green Deal. It provides **a new way for member states to reach their renewable energy targets** – by contributing financially to a project in a different EU country or hosting a project funded by another member state.

In the context of the EU's post-Covid recovery, the mechanism will help **stimulate Europe's economies** by getting large-scale projects off the ground and by supporting local SMEs and creating jobs. This mechanism will **bring member states together on projects, creating EU added value, and making us stronger** than our individual parts.

> How does it work?



A) For project developers – a system of EU-wide tenders will identify suitable renewable energy installation projects to receive support from the mechanism.



B) For private investors – they can invest in the mechanism in order to broaden their sustainable energy portfolio and benefit from the Union-wide green label.



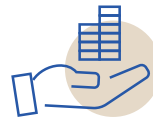
C) For member states – they can either host a project, without needing to provide finance themselves, or contribute financially to a project located in a different member state.

> Clear benefits for EU countries – whether hosting or contributing



“Host” member state

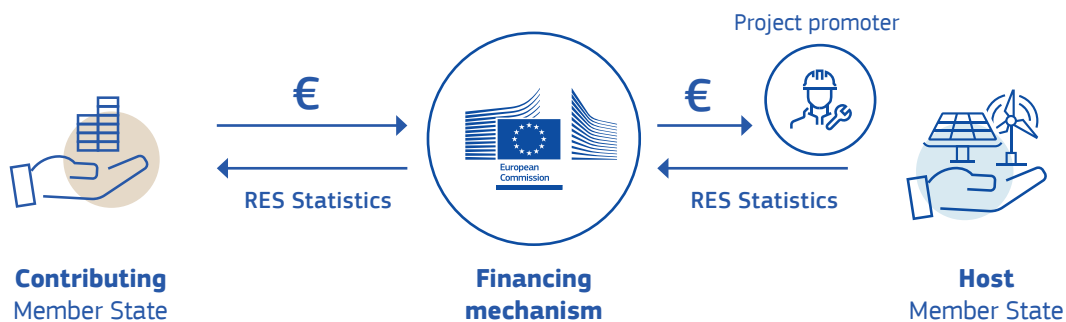
- Greenhouse gas emission reductions
- Reduced import dependency
- Modernisation of national energy system
- Local investment and job creation
- Improved air quality and environmental security



“Contributing” member state

- Potentially lower direct and indirect costs than deployment of installations at home
- Access to potentially cheaper or otherwise unavailable renewable energy sources
- Lower transaction costs (relative to cooperation mechanisms)
- Contribution to renewable energy target

> Functioning of the mechanism



- The mechanism **pools the financial contributions from all EU countries** and then allocates funding through a system of competitive tenders.
- The renewable energy resources financed via this mechanism **will count towards the climate targets for renewable energy for all member states participating in the particular project** – whether as host or contributing country. The allocation of these renewables statistics will be defined on the basis of a standard formula.
- This counting method **ensures that each new project contributes towards the renewable energy targets** of all participating member states.