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.