

## 7c. Fact Sheet - Renewable Energy CSOP in Germany

### Financing decentralized energy production through capital participation of consumers by the use of so called Consumer Stock Ownership Plans (CSOPs)

Premises of the concept: (1) Policy aim: 35% share of energy from renewable sources by 2020; (2) Trend to decentralization of energy production; (3) Involvement of municipalities, public utilities or regional suppliers; (4) Promotion of asset formation politically desired.

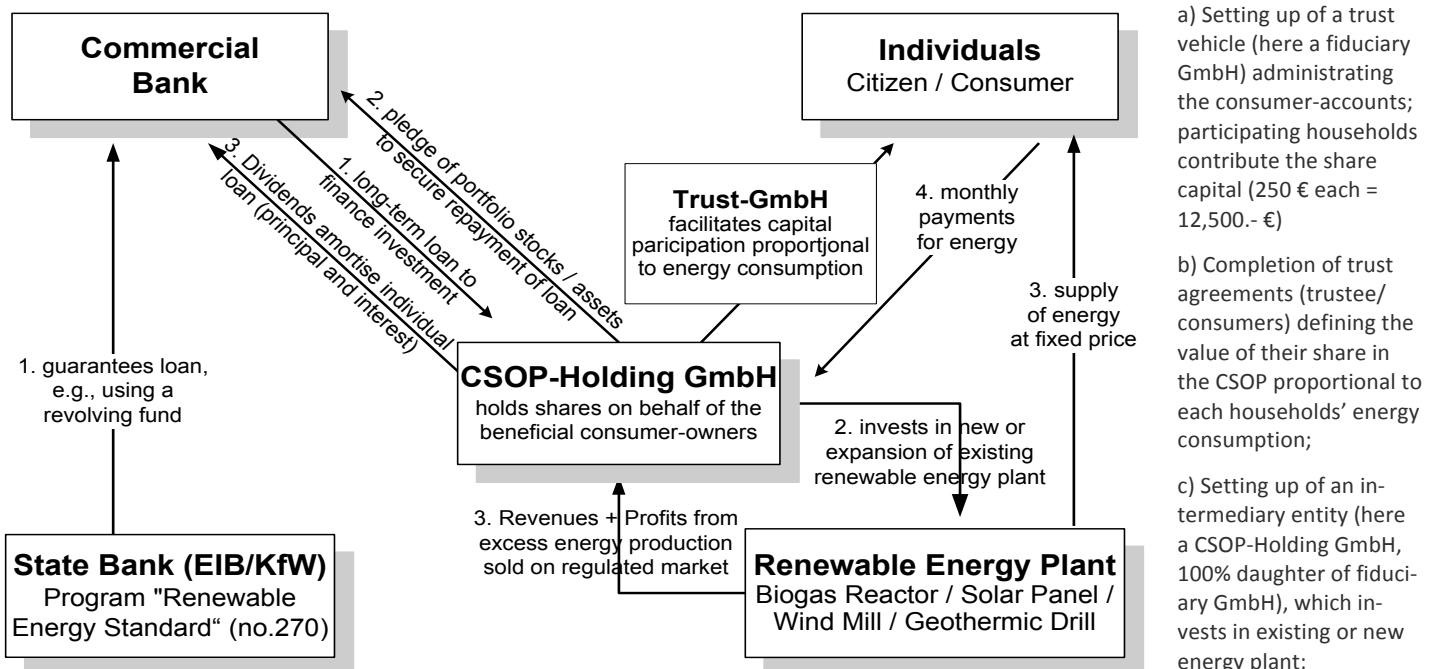
#### Focus: Consumers becoming (co-)producers as (co-)owners

CSOPs are designed for regulated markets with guaranteed prices, regulated market access and long-term relationships between producer and consumer. Renewable energy plants (e.g. solar panels, wind turbines, biogas reactors) are especially predestined, as the necessary investment is relatively small.

Using capital credit to invest in power plants, consumers become (co-)owners, hence (co-)producers of energy. The acquisition loan is repaid from revenues from the sale of the surplus energy production to the grid. Guaranteed feed-in-tariffs enable particularly favourable credit conditions. Citizens thus pay for newly acquired capital out of its future earnings.

The shares are allocated to the consumer-beneficiaries in proportion to their respective energy purchase from the utility. Once the acquisition loan is repaid profits are paid out as dividends.

#### Financing structure and phasing – Example: Wind turbine, 50 Households



- Setting up of a trust vehicle (here a fiduciary GmbH) administrating the consumer-accounts; participating households contribute the share capital (250 € each = 12,500.- €)
- Completion of trust agreements (trustee/ consumers) defining the value of their share in the CSOP proportional to each households' energy consumption;
- Setting up of an intermediary entity (here a CSOP-Holding GmbH, 100% daughter of fiduciary GmbH), which invests in existing or new energy plant;

- Completion of supply agreements between consumers (here 50 households) and the CSOP-Holding GmbH, designed according to standard energy contracts with the usual conditions;
- The CSOP-Holding GmbH applies for a bank loan (here to KfW for 800,000 €) and provides collateral to secure the loan;
- Repayment of loan: Interest & principal are serviced with revenues from the sale of the power plant's surplus energy production and each household's monthly payments for energy (here amortization in 6-7 years);
- After the repayment of the capital acquisition loan profits from the power plant are paid to the consumer-shareholders as dividends in proportion to the amount of their shares (here 200 € per month as each household has an average 10,000 € share).

#### Unique characteristics of the German Energy-CSOP

- Promotion: (1) decentralized energy production; (2) energy self-sufficiency; (3) asset formation; (4) second income
- Change of shareholders unproblematic (->Trust vehicle); deferred taxation of the benefit;
- Flexible low-threshold concept without personal liability (->Holding as intermediary entity);
- Small investment risk-> guaranteed grid connection & feed-in-tariffs ensure long term sale of electricity;
- Combination with KfW-Programs supporting renewable energy at a low interest rate;
- Scalable investment with short amortization period (for the example of a wind turbine 6-7 years)

**Pilot project:** Wind turbine 800 kW (800K €), 50 households, KfW-Program 270 „Erneuerbare Energien Standard“

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