

Clean energy for EU islands: Cres-Losinj and Korcula, Croatia

SOLAR islands

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Table of Contents

Introduction and technical assistance objective	5
Task 1: Crowdfunding	7
Crowdfunding workshop	7
Task 2: Risk Assessment	9
Risk Assessment tool	10
Conclusions	11

List of Figures

Figure 1 - Map of Cres-Lošinj archipelago (image taken from Cres-Lošinj archipelago CETA).	5
Figure 2 - Map of Korčula (image taken from Korčula Islands Secretariat technical assistance).	6
Figure 3 - Print of the workshop session.	8
Figure 4 - Example of one of the risks that it is possible to estimate under the risk assessment tool.	10

Introduction and technical assistance objective

The Cres-Lošinj archipelago (Figure 1) is located in the northern part of the Adriatic Sea, more precisely in the Kvarner Bay. Spatially, it is the largest island group in the Adriatic, numbering a total of 34 islands, islets, shells and reefs, located around the island of Cres (the largest island in the Adriatic) and the island of Lošinj (the 11th largest island in the Adriatic). The group consists of six more inhabited islands located along the western and southern coast of the island of Lošinj: Unije, Ilovik, Susak, Srakane Mala, Srakane Vela and Sv. Peter. The total area of the archipelago is 509,39 km².

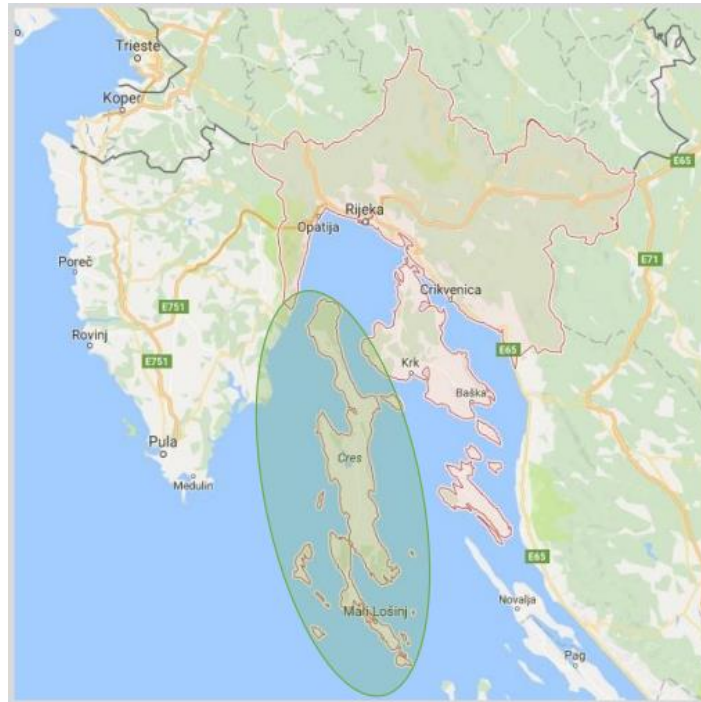


Figure 1 - Map of Cres-Lošinj archipelago (image taken from Cres-Lošinj archipelago [CETA](#)).

The island of Korčula (Figure 2) is located in Dubrovnik-Neretva County, which is the southernmost county in Croatia. It stretches in an east-west direction, with a length of 46,8 km, a width of 5,3 to 7,8 km, an area of 279,03 km², and is the sixth largest island in Croatia. Korčula is the southernmost island of the central Dalmatian archipelago.

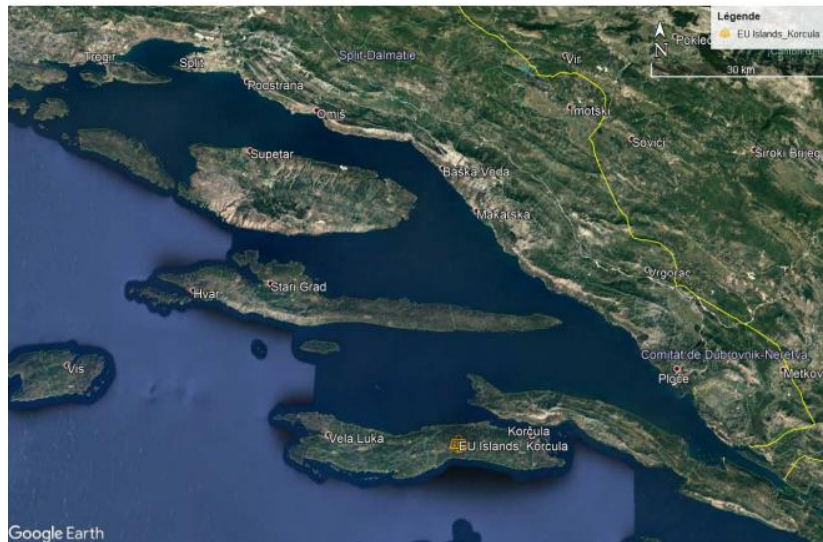


Figure 2 - Map of Korčula (image taken from Korčula Islands Secretariat [technical assistance](#)).

The overall project, SOLAR Islands, is a joint action of the local communities of the islands of Korčula, Cres and Lošinj to start the installation of a communal solar power plant on each of the archipelagos through a crowd-investment model. Currently, the project is advanced in terms of the locations selected for the implementation, costs estimations, annual production estimations, etc. A summary of the project SOLAR Islands is available [here](#).

In this context, and since this project is within the [NESOI](#) initiative, the group of islands of Cres-Lošinj and Korčula were awarded in the first [CE4EUislands Gamechanger Award](#) for extra technical assistance. Therefore, it was agreed between Clean energy for EU islands experts and island representatives that the Technical Assistance will cover the following two main tasks:

- Provide insights on how to organise a crowdfunding financing scheme.
- Support on the project's risk assessment.

Task 1: Crowdfunding

Crowdfunding is an alternative source of income for local governments and project promoters, which can draw support from people across entire countries and increasingly internationally. Crowdfunding is initiated with citizens voluntarily investing a certain financial amount into a proposed project. This initiative and method are particularly addressed for funding small projects which can raise finance along the time, and it is free of fees.

It is also a good way to analyse the public's reaction and social perception to a project idea. The common obstacles that crowdfunding is facing are related to the big effort in building up public trust and interest. Moreover, there is no guarantee that the funds collected will reach the required funding target.

There are several types of crowdfunding models, the most useful ones for island projects are the lending-based, reward-based, and equity-based models. More information is available [here](#) and [here](#) with examples of best practices.

The project developers are fully familiar with the crowdfunding scheme and they are very clear about what they want through this financing scheme. Therefore, the Clean energy for EU islands experts matched the project developers with a crowdfunding platform ([GoParity](#)), so that the SOLAR islands project can be discussed. More details about this workshop are provided in the next subsection.

Crowdfunding workshop

On 20 January 2023, a workshop took place about the crowdfunding financing scheme. The attendants were the following:

- Leandro Vaz and Jorge Rodrigues de Almeida, from Clean energy for EU islands.
- Manuel Nina from GoParity.
- Franjo Toić, Danijel Brnić, Ugo Toić and Ivan Zoković from the islands representatives.

As already mentioned, the main objective of this workshop session was matching the SOLAR islands project developers with a crowdfunding platform, with recognised work in the field of renewable energy, more specifically in solar PV. [GoParity](#) facilitates the financing of projects with positive impact on people and on the planet. In summary, this crowdfunding platform has an impact of more than €7,5 million raised for more than 110 solar and sustainable energy projects in Europe, South America and Africa.

From the projects financed, there is an average 24 018 tonnes of CO₂ saved per year. For these reasons, the Islands Secretariat's financial experts considered GoParity as a suitable platform for the SOLAR island project and therefore promoted the link between the islands and this crowdfunding platform.

Firstly, Manuel Nina presented the GoParity. The following topics were addressed in the presentation:

- General presentation of GoParity.
- How to organise a crowdfunding scheme.
- Why GoParity could act as an alternative to traditional banks.
- How GoParity proceeds in the crowdlending process.

- The type of projects that GoParity fund, by impact categories¹.
- Their investment metrics².
- Why the community is important in the process, meeting the interests of SOLAR islands project developers.
- Communications strategies.
- Examples of projects funded.

After Manuel's presentation, the discussion was open and was very interactive. The island representatives questioned Manuel about several aspects, in a very detailed way. In a nutshell, the general topics discussed were the following:

- Specific questions about the crowdlending process performed by GoParity.
- Discussion about other examples of PV projects financed by GoParity, in Europe.
- Discussion about the specific project in Cres-Lošinj and Korčula, and how GoParity can meet the SOLAR island project requirements.
- How the communication strategy would take place in Croatia, and more concretely on the local community.

At the end of the workshop, both parties expressed interest in moving forward with the project, exchanged email contacts and they showed interest in keeping in touch in the near future to further discuss the project.



Figure 3 - Print of the workshop session.

¹ Water and blue economy, business in transition, **sustainable energy (38%)**, green use of land, social economy, etc.

² The slide available in Figure 3.

Task 2: Risk Assessment

In this task, insights and tools were delivered to support the project developers to assess the SOLAR Island project risks. Insights are provided on how to prioritise those risks, develop methodologies to prevent them, and design mitigation measures in case that they experience them.

In each project phase (from project identification to a stage that a project is ready to receive an investment offer), there are numerous risks that must be identified, analysed and, if possible, mitigated. Once the project starts, the team needs to identify the possible risks and be prepared to mitigate them.

What is risk analysis?

Risk analysis is the process of estimating the likelihood of an adverse event taking place in a corporate, government or environmental sector. The risk can be evaluated by different approaches including, in a quantitative and/or qualitative manner. Actually, this is a very significant point since there are numerous risks that are quantitative, but dependent on the qualitative assessment that is performed by the project developers, in the different stages of project development.

What is the main barrier on assessing the risk?

There is typically an absence of data, and consequently a lack of financial performance assessment of sustainable finance. This issue may lead to an unawareness of all the risks that a project may have. This is a very important shortcoming because when there are unknown and unpredictable risks, the investors and financial institutions may have some reservations whether they should finance or not a specific project.

How to overcome the lack of data on financial performance?

Risk assessment protocols must be standardised for a project investor in order to motivate the market to grow. In this context, **in the scope of this technical assistance, the secretariat provided a standardised tool to assess all the risks related to the SOLAR island project to the Cres-Lošinj and Korčula representatives.**

What are the main challenges for project developers?

Firstly, project developers must provide the business plan and business perspectives of the project. To increase the probabilities of being considered by the financial institution, the project developers must provide as much information as possible about the risks of the project. For that, project developers should use the “financial language”. Finally, the financial institutions may not know in depth the technical part of the project. Hence, it is recommended to not over explain the technical part of the project, but prove to the institution how it is under control. The banks are rather interested in the risks of the technologies and the mitigation strategy instead of in the technology itself.

Risk Assessment tool

The Clean energy for EU islands developed and provided a risk assessment tool that enables the estimation of the risks associated with the SOLAR islands project implementation, in a quantitative and qualitative manner.

The tool aims to assess the following risks:

- Credit risk.
- Regulatory risk.
- Market risk
- Feed-stock risk.
- Energy price risk.
- Currency risk.
- Technical risk.
- O&M risk.
- Performance risk.
- Climate risk.

The project developers should gather the data to provide as much input as possible to the tool. Figure 4 illustrates an example of the risk assessment tool.

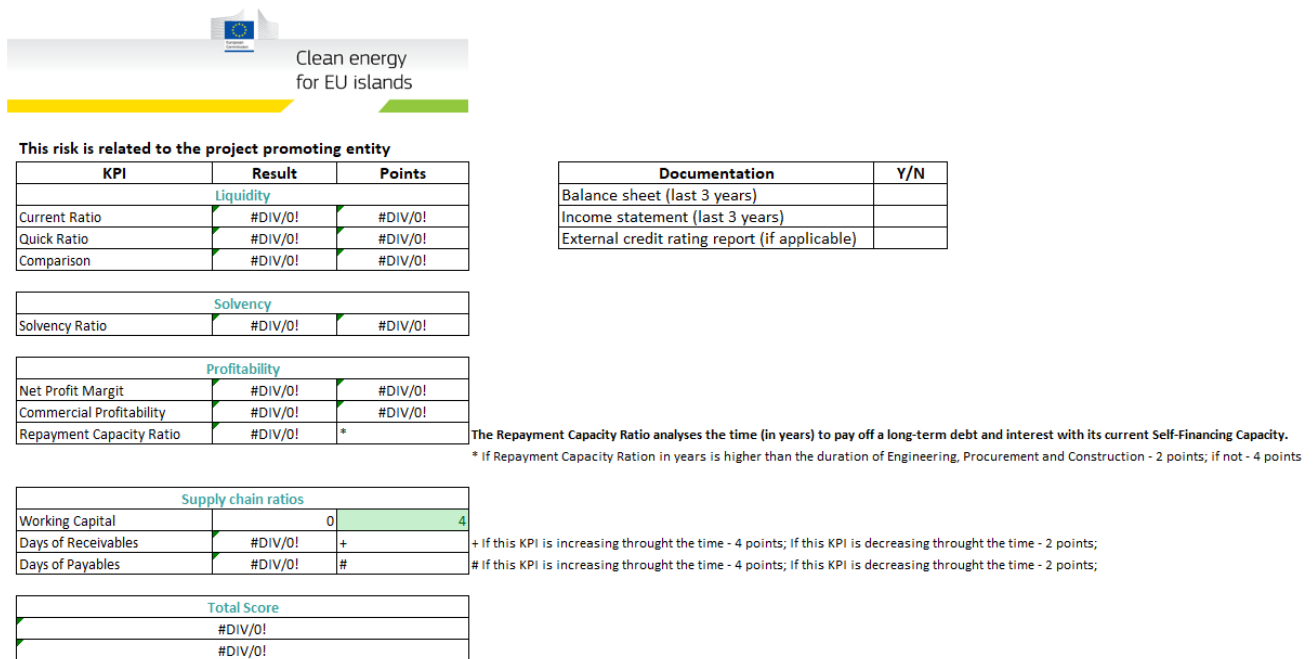


Figure 4 - Example of one of the risks that it is possible to estimate under the risk assessment tool.

Conclusions

The island representatives already have a high knowledge about the crowdfunding financing scheme. Therefore, the technical assistance contributed to the advancement of the project's financing by matching the project developers with a suitable crowdfunding platform. The session was fruitful and very interactive, and there are prospects for future collaboration between the islands and GoParity.

Moreover, a tailored risk assessment tool was developed and delivered helping the island to predict the project's risks. With this detailed assessment, the project is one step closer to obtaining financing.