European Commission

Clean energy for EU islands

Guideline for islanders

Steps to finance sustainable energy projects

Abbreviations

BCR	Benefit-cost ratio
CAPEX	Capital expenditure
CE4EUI	Clean energy for EU islands
EE/RE	Energy efficiency / Renewable energy
EU	European Union
IRR	Internal rate of return
LED	Light emitting diode
NPV	Net present value
OPEX	Operational expenditure
HVAC	Heating, ventilation and air conditioning

Introduction

This guideline provides a clear, step-by-step framework to help project developers secure financing and successfully implement energy transition initiatives. It offers practical guidance on preparing compelling applications, aligning with investor priorities, and ensuring project feasibility through detailed technical, financial, and risk analyses.

It will be hosted on the Clean energy for EU islands (CE4EUI) webpage, ensuring that communities across Europe can leverage its insights to advance their energy transition goals. The guideline should be integrated in the webpage and also, accessible in pdf.

1 Details of the Investment Candidate

1.1 Project Name

Give your project a clear and descriptive name.

This name should reflect the nature and objectives of the project to make it easily recognizable and relevant to the investor. For example: A project focusing on renewable energy in healthcare facilities could be titled: "Solar Energy Integration in Municipal Hospital Systems."

1.2 Project Type

Specify the project type and, if applicable, the type of facility where the project will be implemented. Project types may include:

- Renewable Energy Power plant (Wind, Solar PV, Geothermal, Biomass, etc.)
- EE/RE in Agriculture (Modernization of irrigation systems, automation and control systems, etc.)
- EE/RE measures in Commercial/Institutional buildings
- Individual EE/RE measure
- EE/RE in Residential buildings
- Low carbon Transportation
- EE/RE in Industry
- Other

1.3 Applicant Details

Provide the investor with a comprehensive overview of the applicant organization, including the following details:

- Organization Name
- Legal Representative
- Identification Number
- Official Address
- Contact Number
- Email Address
- Website
- Contact Person (primary point of contact for the project)
    - Contact Details

2 Details of the Investment Opportunity

2.1 Project Objectives

Outline the goals of the project, both general and specific, and explain how they align with the broader sustainability goals.

General Objectives

Describe the overarching goals of the project, as:

- Project vision
- Strategic impact, e.g., local and regional
- Alignment with sustainability goals, e.g., EU Green Deal, Paris Agreement, etc.
- Other elements deemed relevant

Specific Objectives

Identify measurable, actionable goals that the project seeks to achieve, as:

- Quantifiable goals
- Time bound targets
- Actionable steps
- Other elements deemed relevant

Clearly defined objectives will help investors see the project's value and its contribution to broader sustainability goals.

2.2 Project Context

Provide a concise yet comprehensive overview of the project. This description should provide a clear context for the proposed project, helping the investor understand its necessity and potential impact.

Current State

Briefly describe the facility's or site's condition and any issues that the project aims to address.

Example: "The site designated for the renewable energy power plant is currently underutilized, with no infrastructure in place to harness solar or wind energy, presenting an opportunity for clean energy generation."

Problem Background

Explain the underlying issue or challenge that the project is addressing.

Example: "The island community / economy suffers from excessive energy prices due to the need to import fossil fuels for electricity generation"

Previous Actions Taken (if applicable)

Highlight any prior efforts to resolve the problem, such as grid connection feasibility study, building upgrades or renovations.

Previous Funding Use (if applicable)

If applicable, mention whether the facility has received funding in the past, how it was used, and its outcomes.

2.3 Technical Description

Provide a detailed breakdown of the proposed sustainable energy project, along with their expected results.

Selected technical solution (s)

Clearly describe the specific technology(ies) chosen for the project and their main feature (capacity in kW or MW, energy production or reduction in kWh/year, GHG emissions reduction…)

Proposed Technology

Describe in detail the technologies being implemented:

- Equipment technical specifications,
- Project designs,
- Technical drawings,
- References and supporting documentation,
- Engineering calculations.
- Other relevant technical details

Additional Details

Include any other relevant technical details that strengthen the project's feasibility:

Examples:

- "The proposed measures align with the latest EU energy efficiency standards."
- "The project will incorporate smart monitoring systems to track energy performance and ensure continuous optimization."

2.4 Project Activities and Budget

Provide a detailed breakdown of the associated project costs. It is crucial to ensure that the budget is realistic, aligns with the proposed sustainable energy project.

Preparatory Work

Describe the preparatory steps necessary for the successful implementation of the project and their associated costs:

› conducting a walk-through audit,
› performing an investment-grade audit,
› developing project designs, and/or
› other essential preliminary tasks

Capital Expenditures (CAPEX)

Provide a detailed breakdown of the CAPEX (typically covering the one-time expenses required to establish the project):

› equipment and materials
› construction and installation
› labor and contracting
› contingency
› other

Operational Expenditure (OPEX)

Detail the ongoing costs required to operate and maintain the project over their lifecycle:

› maintenance and repairs
› energy management
› staffing
› consumables and resources
› other

2.5 Financial Structuring

Outline the financial structure of the project, specifying the sources of funding and their respective allocations.

Total project cost

Provide the total project cost based on the breakdown of outlined in section 2.4.

Breakdown of Funding Sources

Provide a detailed breakdown of how the project will be financed. For each funding source, calculate its percentage contribution to the total project cost. Ensure that the sum of all contributions equals 100%.

› Grant from EU / other Program, if available: Specify the amount requested from the program and any associated terms and conditions

- Secured Co-Financing (debt) from third parties, including detailed information on the following conditions:
  - Debtor
  - Seniority of provided funding
  - Interest rate
  - Loan term
  - Grace period
  - Collateral requirements
- Own Funds of the project developer: Specify the portion of the funding contributed directly by the c project developer using their own resources.
- Funding sought from Investors: Indicate the amount of funding sought from external investors and how it complements other sources of financing.
- Other sources of financing: Detail any additional sources of funding that contribute to the project, such as public-private partnerships and in-kind contributions

2.6 Project Implementation Timeline

Define the timeline for the project's implementation. Providing clear and realistic deadlines for each phase demonstrates the project's feasibility and candidate preparedness to execute it efficiently.

- Timeline for selecting provider: specify the expected timeframe, in months, for selecting a provider through a public procurement or other relevant process
- Timeline for installation and commissioning (testing or approvals required before operation begins) in months
- Total project implementation timeline: specify the total duration of the project.

2.7 Project Readiness

Outline the necessary documentation required to support your project application. Providing complete and accurate documentation is essential to demonstrate project readiness and ensure compliance with regulatory and program requirements.

- Ownership documentation: attach proof of ownership and an up-to-date site plan of the property where the project will be implemented.
- Compliance with legislation including environmental, cultural heritage, grid connection, safety…
- Municipal council decision (if applicable): provide a certified copy of the municipal council's decision expressing consent for project realization.
- Letter of support from the building/land owner (if applicable)
- Design and preliminary studies
- Other Applicable Documents: attach any other documents relevant to the project, such as permits, approvals, or studies not explicitly listed anywhere else.

2.8 Environmental and Social Indicators

Quantify the anticipated outcomes and impacts of the proposed project.

- Beneficiaries: Indicate the number of individuals who will directly benefit from the project.
- Temporary and permanent jobs created
- Improved infrastructure area (if applicable): Specify the total area of the facility or infrastructure that will be improved because of the project.
- CO_2 emissions reduced
- Energy saved/produced
- Any other co-benefits

3 Details of Project's Financial Analysis

Evaluate the financial viability of the project and identifying potential risks . Financial and risk analysis helps ensure that the project is economically feasible and that any uncertainties are managed effectively.

Calculate and present financial metrics such as:

- Simple Payback Period: Time needed to recover initial investment through savings/RE energy produced.
- Net Present Value (NPV): Present value of future savings/RE energy produced minus the initial cost.
- Internal Rate of Return (IRR): The rate at which the project breaks even.
- Benefit-Cost Ratio (BCR): Ratio of benefits (savings/RE energy produced) to costs over the project's lifetime.

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