

# Bridging the Climate Finance Gap for the BES Islands

The Clean energy for EU islands (CE4EUI) Secretariat provides support to the local governments and utility companies of the islands of Bonaire, Sint Eustatius, and Saba (the BES islands), special municipalities of the Netherlands. The BES islands have ambitious energy visions and concrete renewable energy projects to implement the energy transition, but in practice, they require support to access funding to achieve their objectives. In this position paper, the CE4EUI Secretariat presents the existing challenges and recommendations for European and national policymakers to improve access to funding for the energy transition of the BES islands. Although the paper presents specific recommendations for Bonaire, Sint Eustatius, and Saba, these may also apply to other overseas countries and territories.

The identified challenges and respective recommendations are summarised in the table below.

<b>Challenge 1: Unclear Access to Structural National and European Funds</b>
<b>Recommendation: Improve Access and Awareness</b>
<ul style="list-style-type: none"><li>+ Facilitate access to centralised application platforms for European and national programmes.</li><li>+ Increase coordination between European and national instances.</li><li>+ Increase visibility of blended EU and national funding routes.</li></ul>
<b>Challenge 2: Incompatible Eligibility Requirements and Conditions for Funding</b>
<b>Recommendation: Improve Conditions and Eligibility Criteria</b>
<ul style="list-style-type: none"><li>+ Adapt eligibility criteria to the geographic and economic realities of the BES islands.</li><li>+ Include infrastructure upgrades and energy security measures as stand-alone funding categories without mandatory innovation criteria.</li></ul>
<b>Challenge 3: Programmes not Catered to Local Context Island Systems</b>
<b>Recommendation: Focus on Local Economic, Geographic, and Social Context</b>
<ul style="list-style-type: none"><li>+ Establish clearer funding frameworks to match the BES islands' governance and infrastructure.</li></ul>
<b>Challenge 4: Lack of Capacity to Participate in Complex Application Procedures</b>
<b>Recommendation: Simplify Application Procedures</b>
<ul style="list-style-type: none"><li>+ Harmonise application requirements into a predictable, repeatable format suitable for the infrastructure of the BES islands.</li><li>+ Reduce administrative complexity and create proportional reporting and proposal obligations.</li></ul>
<b>Recommendation: Build Capacity and Strengthen Support for the Funding Application Process</b>
<ul style="list-style-type: none"><li>+ Provide targeted capacity building for the BES islands.</li><li>+ Provide long-term technical assistance for proposal co-development, not exclusively short training formats.</li></ul>

## Challenge 5: Reliance on Subsidies

### Recommendation: Increase Access to Different Types of Funding

- + Increase matchmaking and transparency of existing funding mechanisms that address the different funding needs of the BES islands.

# Clean energy for EU islands: Position Paper: Bridging the Climate Finance Gap for the BES Islands

# **Position Paper: Bridge the Climate Finance Gap for the BES Islands**

Publication date: 09/03/2026

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Dissemination Level: Public

## **Published by**

Clean energy for EU islands

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## List of Abbreviations

<b>BES islands</b>	Bonaire, Sint Eustatius, and Saba islands
<b>OCT</b>	Overseas Countries and Territories
<b>OR</b>	Overseas Regions
<b>EU</b>	European Union
<b>SIDS</b>	Small Island Developing States

## 1. Introduction

The special municipalities of Bonaire, Sint Eustatius, and Saba (hereafter referred to as the BES islands) are located in the Caribbean and part of the Kingdom of the Netherlands. The BES islands face growing challenges in securing the financing needed for a clean, reliable, and affordable energy transition.

Energy transition financing is not only an environmental objective imperative for economic stability and energy security. The BES islands are highly motivated and have a robust pipeline of projects to meet their climate goals.<sup>1</sup> By streamlining access to the right funding mechanisms, these initiatives can be unlocked. Clearer, scale-appropriate investment pathways will accelerate the transition to clean, reliable, and affordable energy, ensuring long-term stability and prosperity for households, utilities, and public budgets alike.

As special municipalities, the position of the local governments and the utilities of the islands of Bonaire, Sint Eustatius, and Saba<sup>2</sup> differs from that of autonomous OCTs, and as a result, they face specific challenges in financing their energy transition. In this position paper, the Clean energy for EU islands secretariat presents those challenges and proposes recommendations for European and national policymakers to improve access to funding for the energy transition in the BES islands.

The Kingdom of the Netherlands is made up of four countries: mainland Netherlands and three Caribbean islands. The Caribbean region of the Netherlands consists of six islands. The islands of Aruba, Curaçao, and St Maarten are autonomous countries with their own parliaments. The islands of Bonaire, Sint Eustatius, and Saba are special municipalities. They are public bodies of the Netherlands, similar to the municipalities in the European part of the Netherlands. Each island has an executive council that is responsible for that island's day-to-day governance.<sup>3</sup>

## 2. Policy context

As integral parts of the Kingdom of the Netherlands, the BES islands are subject to Dutch and European policy frameworks, yet face the geographic and economic realities of small, isolated island systems. Unlike Overseas Regions (hereafter referred to as ORs), which are an integral part of the EU, the BES islands are neither part of the EU territory nor of the EU single market, but have a special political, cooperation and commercial partnership with the EU. On the other hand, their political status places them outside frameworks designed for developing nations, such as specific schemes designed for Small Island Developing States (SIDS).

The European Commission's regional policy addresses the specific needs of the regions and communities including Europe's Outermost Regions and mountains, islands and sparsely populated areas. In the mid-term review of its Cohesion Policy, the European Commission announced that it

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<sup>1</sup> For specific examples we refer to publications of the Clean Energy for EU Islands secretariat for the BES islands including roadmaps for the energy transition, mapping of smart energy systems, and plans for deployment of electric vehicle. Publications are updated regularly and can be consulted on the website here: <https://clean-energy-islands.ec.europa.eu/resources/publications?f%5B0%5D=country%3A4951>.

<sup>2</sup> Bonaire: Public Entity Bonaire and *Water- en Energiebedrijf Bonaire N.V.* (WEB Bonaire)  
St. Eustatius: Public Entity St. Eustatius and Statia Utility Company N.V. (STUCO)  
Saba: Public Entity Saba and Saba Electric Company N.V. (SEC)

<sup>3</sup> <https://www.government.nl/topics/caribbean-parts-of-the-kingdom/governance-of-bonaire-st-eustatius-and-saba>

will launch a consultation on the development of a Strategy for Islands and an updated Strategy for Outermost Regions.<sup>4</sup> While the BES islands are not part of single market like other EU islands or ORs, they are on paper eligible to EU funding programmes, such as Invest EU and Horizon Europe. A public consultation by the European Commission is an opportunity to address the actual needs of the OCTs and draw attention to challenges they face in their energy transition.

### 3. Challenges faced by the BES islands

Small, isolated island systems are far from the mainland. Natural resources are scarce, and there is heavy reliance on the transport of resources to the islands, which are often costly. The BES islands are also small in size, limiting the space for deployment of renewable energy projects, often conflicting with other interests such as housing and the environment. Their location in the Caribbean Sea makes them more susceptible to extreme climate conditions, such as exposure to hurricanes and rising sea-levels. The rising costs of fossil fuels and dependence on imports are economically burdensome. The BES islands face particular challenges in accessing funding for their renewable energy transition. We elaborate on each challenge below. While we refer to the BES islands, these challenges and recommendations also pertain to other OCT island systems.

#### Challenge 1: Unclear Access to Structural National and European Funds

The BES islands experience particular distance to available programmes and require greater transparency within the relevant institutions. Although numerous funding opportunities exist for various candidates and renewable energy projects in theory, the BES islands frequently encounter significant challenges aligning project funding requirements with suitable financial resources in practice. Access to funding requires knowledge of available programmes and application procedures well in advance, as well as early preparation once a project is conceived. Applying retroactively, after development has begun, is difficult, or even impossible. The distance experienced by the BES islands from these programmes is not only geographic but also administrative. Although support staff exist, it is often unclear whom to contact at the European institutions for programme-related, administrative, or IT questions.

For example, at Bonaire's public utility, WEB Bonaire, the process for developing renewable energy projects has been complicated. Although national subsidies are available and have been allocated equally to all three islands, this allocation does not account for Bonaire's scale and needs, being a bigger island than Saba and Sint Eustatius. Subsequently, when seeking additional EU funding, the utility could not find appropriate funding to invest in hardware.

#### ➤ Recommendations

To reduce the distance between the applicants and the relevant contacts at the institutions, we recommend facilitating access to centralised application support structures able to work with small administrations and utilities. The first steps to achieve this have already been taken by establishing the Cabinet of the Special Envoy. While these are steps in the right direction, we recommend **improved coordination between the European and national instances**. At the island level, **more awareness is still necessary of existing bilateral programmes, global and**

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<sup>4</sup>[https://ec.europa.eu/regional\\_policy/sources/communication/mid-term-review-2025/communication-mid-term-review-2025\\_en.pdf](https://ec.europa.eu/regional_policy/sources/communication/mid-term-review-2025/communication-mid-term-review-2025_en.pdf) more information will be updated on the European Commission's website here: [https://ec.europa.eu/regional\\_policy/policy/themes/outermost-regions/strategy\\_en](https://ec.europa.eu/regional_policy/policy/themes/outermost-regions/strategy_en)

## **multilateral funds, access to European thematic programmes, and how to go from on-paper eligibility to practical access.**

In 2024, the Dutch government established the Cabinet of the Special Envoy to the EU, UN and Economic Development in Latin America and the Caribbean<sup>5</sup> to support Bonaire, Sint Eustatius and Saba in strengthening their international position and access to external funding opportunities. A key focus of the Cabinet is facilitating access to thematic EU funding instruments available to the islands. The Special Envoy's website provides an overview of relevant funding opportunities. The Cabinet also actively supports local organisations on the islands in preparing and submitting grant applications to the European Union. Over the past two years, this support has resulted in successful applications under several EU programmes, including the Connecting Europe Facility (CEF), Erasmus+, Horizon Europe calls, and the Clean energy for EU islands initiative.

### **Challenge 2: Incompatible Eligibility Requirements and Conditions for Funding**

The insular nature of the BES islands means their challenges and needs are similar to those of other island states. However, as special municipalities of the Netherlands, the BES islands are not eligible for subsidies and loans from institutions targeting sovereign island states such as SIDS.

The BES islands are eligible for EU and national funding; however, many programmes prioritise innovation, research, and test-bed initiatives. The BES islands often require financial support for more fundamental infrastructure and capacity-building needs, since, by their nature, the energy transition on the BES islands must prioritise infrastructure-first, resilience-driven systems, not innovation-first experimental markets.

Moreover, national and European programmes do not distinguish the mainland context from the islands' scale and needs. For instance, many EU programmes are designed to reduce dependence on Russian gas and establish European resilience and energy autonomy. Such conditions do not pertain to the BES islands, which rely more on oil for their electricity production. Moreover, EU programmes often focus on the internal market and require international cooperation across Member States. Simply due to the geographic location of the islands, such cooperation is not feasible for the BES islands.

#### **➤ Recommendations**

The BES islands must prioritise security of supply and address energy poverty. They cannot rely on other utilities for backup. It is difficult to justify activities and commercial decisions solely for the purpose of innovation when customers require a stable, reliable energy supply at affordable prices. To cater to the specific needs and scale of the BES islands, we recommend **adapting eligibility criteria to those geographic and economic realities**. We also recommend **allowing funding for infrastructure upgrades and energy security measures as stand-alone funding categories without mandatory innovation criteria**.

### **Challenge 3: Programmes not Catered to Local Context Island Systems**

Many national and European programmes cater to the mainland economy and do not match the economic realities and small-scale nature of the BES islands. For instance, for the utilities of Sint Eustatius and Saba, funding is needed integrally for all project components from start to finish,

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<sup>5</sup> [www.cabinetspecialenvoy.com](http://www.cabinetspecialenvoy.com)

rather than for each component separately. This requires a substantial amount of funds upfront. In consequence, these island systems cannot consider EU programmes or commercial loans but rely primarily on national subsidies for their operations.

Where schemes do get adapted to these needs, their reliability can be uncertain. Funding, which in the past has been allocated to the BES islands, has also been stopped due to the changing political landscape on the mainland. For instance, the subsidy *Versterking Duurzaam Verdienvermogen ACS en BES* allocated specific funding to the islands but was phased out in 2024.<sup>6</sup> The volatility of these schemes means that mid- to long-term planning cannot be made, given the uncertainty of financing.

### ➤ Recommendations

We recommend establishing clearer **structural framing in the calls for funding that address the governance and scale gaps faced by small-scale islands** such as the BES islands, particularly for infrastructure funding.

## Challenge 4: Lack of Capacity to Participate in Complex Application Procedures

The utilities and authorities of the BES islands often lack the administrative and technical capacity needed for often demanding application processes. The personnel required to apply for funding can be costly, thereby diverting resources from operations and project implementation. As a result, the BES islands are at a competitive disadvantage compared to applicants with more mature projects, stronger institutions and capacity. Moreover, administrative burdens continue once projects are awarded in the form of compliance paperwork and monitoring and verification procedures.

The BES islands, as small, isolated systems, do not always have the resources to apply complex procedures. Much information is available on EU platforms, but it is often unclear what support is offered—research, hardware, or funding. Application conditions are long, complex, and consist of EU terms that are not always easy to understand. Navigating these procedures typically demands a dedicated staff member or external consultant to interpret the rules and prepare long proposals.

### ➤ Recommendations

We recommend reducing administrative complexity in the application procedure and proportional reporting obligations for small-scale island infrastructures. We also recommend **harmonising application requirements into a predictable, repeatable format suitable for the BES islands as small island systems**.

Coherent and accurate data are essential to strengthen the case for funding. We recommend providing targeted capacity-building initiatives—such as training workshops, mentorship programs, representation, and technical and administrative support—to strengthen the islands' ability to prepare high-quality proposals and manage funded projects effectively.

To strengthen the position and competitive stance of the BES islands, we recommend **providing long-term technical and administrative assistance for proposal co-development, not exclusively short training formats**.

## Challenge 5: Reliance on Subsidies

The BES islands have high energy costs, small and isolated electricity systems, and strong exposure to climate conditions. As special municipalities, they are not eligible for development financing and

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<sup>6</sup> <https://open.overheid.nl/documenten/25905a30-e19b-4f57-8381-4d735d7579de/file>

lack access to instruments tailored to their specific needs. Additionally, there is insufficient transparent information on which types of funding are available and feasible. The small utilities of Saba and Sint Eustatius are heavily reliant on national subsidies for their operations. Their limited scale and dependence on subsidies make conventional loans difficult to absorb. A cost-based loan structure, for instance, has a large impact on the tariffs and does not fit the business model of the smaller utilities that aim to keep already high electricity prices steady for their customers.

### ➤ Recommendations

As financing the energy transition cannot rely only on subsidies, capital markets are moving into green financing models.<sup>7</sup> A range of funding mechanisms and instruments exist that address the different funding needs for a clean, reliable, and affordable energy transition. The BES islands have projects that require such funding, but need support in finding the right institutions. Support can be given in the form of **matchmaking between national and European institutions, and the local governments and utilities of the BES islands**. Relevant programmes include, for instance, LIFE, Horizon and the Global Gateway Program of the EU for Latin America and the Caribbean. We recommend **increasing the visibility of blended EU and national funding routes, among others, through the Cabinet of the Special Envoy, for the energy infrastructure and renewable energy projects of the BES islands**.

There are a variety of financial mechanisms and instruments that could be pursued at the national, EU, or regional level to better address the specific needs of island systems. The following financing instruments should be explored for the BES islands:

- **Blended financing instruments:** Financial instruments that include a grant component or first-loss fund together with concessional debt or patient capital to reduce risk perception and improve project viability. Blended structures may also include technical assistance grants to finance feasibility studies and project preparation.
- **Concessional lending and dedicated credit lines:** Financing with longer maturities, grace periods, low interest rates, and simplified procedures matching small-scale projects. National development banks or local financial institutions can host dedicated credit lines for energy transition projects.
- **Green bonds:** Green bonds issued at the national (Member State) level, with proceeds earmarked for clean energy, resilience, and infrastructure investments in OCTs. Sustainability-linked performance indicators can help reduce financing costs over time.
- **Grants, refundable grants or results-based subsidies:** Targeted grant schemes for priority investment areas (renewables, storage, grid upgrades, energy efficiency). Refundable or results-based grants can reduce upfront investment barriers while rewarding successful project completion and verification.
- **Revolving energy transition funds:** Funds capitalised by EU or national contributions that issue loans or catalytic capital to local public or private developers, recycling repayments to finance further projects over time.

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<sup>7</sup> <https://www.sciencedirect.com/science/article/pii/S2211467X25003116>

- **Risk-mitigation and guarantee schemes:** Partial credit guarantees, political-risk insurance, and currency-risk mitigation tools to address the inherent risks of micro-markets, single-buyer utilities, and island-specific climate exposure.

## 4. Closing Call to Action for Policymakers

Policymakers at the European and national levels are called to close the gap between funding availability and effective access to funding to support the energy transition of the BES islands. This requires moving beyond one-size-fits-all programme designs and recognising the BES islands as small-scale, infrastructure-dependent, and resilience-critical energy systems.

In the short term, policymakers should prioritise simplified access, tailored eligibility criteria, and long-term technical support to streamline projects that are already conceptually mature but blocked by technical and administrative obstacles. In the long-term, predictable financing pathways should be accessible to reduce reliance on subsidies.