

# CROWD FUNDING CONSUMERS DRIVING CLEAN...

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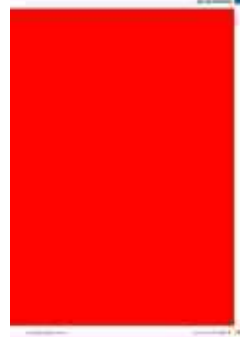
## CROWDFUNDING CONSUMERS

## DRIVING CLEAN ENERGY INVESTMENT

Australia's 2022 federal election was colloquially named the 'climate change election'. With the Australian Labor Party, as well as a surge of minor parties and independents, receiving overwhelming voter support, the Australian public's demand for stronger action on climate change and net zero targets was made clear. But the energy transition will take a serious amount of investment in renewable energy resources – so who pays? Recent trends have seen an uptick in crowd-funded energy projects, indicating that communities aren't just taking action on climate change with their voting ballots, but with their wallets too.







In May, as the initial election results began to trickle in, Solar Citizens' Deputy Director, Stephanie Gray, said, "Australians have cast their vote for a cleaner future."

"They've thrown their support behind Labor's commitments to increase the country's 2030 emissions reduction target, hasten the transition to clean and cheap renewable energy, and make electric transport more affordable."

Indeed, in June, the Federal Government submitted a new 2030 Nationally Determined Contribution (NDC) under the Paris Agreement to increase the national emission reduction target to 43 per cent by 2030.

Clean Energy Council Chief Executive, Kane Thornton, said the new emissions reduction target for 2030 gave the green light to renewable energy investors, with its latest edition of the *Clean Energy Outlook – Confidence Index* revealing that 79 per cent of investors said an improved 2030 emissions reduction target would increase their confidence for future investment.

But, just as more consumers are evolving into prosumers, a new energy investor profile is emerging in the form of the Australian public. Here, we look at some examples of crowd-funded energy projects and examine what this means for broader consumer participation in the energy market.

#### What is crowdfunding?

Equity crowdfunding, or crowd-sourced funding (CSF), has existed in the UK since around 2011, but only became legal in Australia in 2018. Since then, companies spruiking beauty products, nail salons, cleaning supplies, and plant-based food products have raised millions of dollars through CSF. So, what is it and how does it work?

CSF is when small-to-medium-sized companies or unlisted startups raise money from public investors through a licensed equity crowdfunding platform. The funds can be collected from an unlimited number of investors who typically contribute small amounts of money and receive a proportional shareholding in return.

There are some caveats though – the CSF platforms are required to run checks on interested companies and charge eligible businesses fees and a commission, which is a percentage of the funds raised, in order to turn a profit.

Companies can raise a maximum of \$5 million a year through CSF, and investors can contribute between \$50-\$10,000, with a five-day cooling-off period to allow for a change of mind.

CSF allows businesses to have an uncapped amount of investors and gives consumers the chance to invest in the early stages of a business for an accessible price tag – with the potential to see a good financial return. It also allows consumers the opportunity to support ideas and projects that appeal to their own values, with many companies using equity crowdfunding to push a strong social or environmental mission.

#### Grong Grong Solar Farm to lower energy bills

In May 2022, Grong Grong Solar Farm commenced a crowd equity campaign to fund the construction of a 1.7MW facility in the Riverina region, which would see the company sell power to the New South Wales wholesale energy market, in addition to renewable energy certificates that will be sold to commercial customers.

It was the first time Australians were able to invest in building a solar farm using the crowd equity finance model, providing direct ownership to the community as support for renewables grows.

The result was a \$750,000 capital raise in just eight days, with the minimum raise target of \$250,000 hit in just 80 minutes.

Grong Grong Solar Farm Co-Founder, Jonathan Prendergast, said recent increases in the cost of wholesale electricity were →



Pictured (L-R): Gerald Arends, Grong Grong Solar Farm Director, Jonathan Prendergast, Grong Grong Solar Farm Director and Gemma Purcell, Meier Farms, Solarfarm Landholder.

driving consumers to look for alternative ways to support the transition to renewables and ultimately lower their household energy bill.

Working with local farmer Gemma Purcell, the solar farm is to be established on a 4ha patch of her grain and sheep farm on the outskirts of Grong Grong, one hour west of Wagga Wagga.

Following a phase of planning and grid studies, Grong Grong Solar Farm partnered with the Community Power Agency and Pingala to secure a \$1.3 million grant from the NSW Regional Community Energy Fund and an extendable 20-year land licence with Development Approval from Narrandera Shire Council.

"The beauty of solar is that it is scalable," a spokesperson said.

"We thought, wouldn't it be great if more small-to-medium-scale solar farms were added to the mix, making them more accessible to power regional towns and for investment by everyday Australians?"

Grong Grong Solar Farm Co-Founder, Gerald Arends, said Australia was the perfect environment for community-owned solar projects.

"Australians lead the world in rooftop solar – now we believe we can expand that interest into owning shares in community solar farms," Mr Arends said.

"The models combine the efficiency of mid-scale solar farms in strategically selected locations with community investment, a funding model that is popular overseas.

"It's a key part of our mission to develop an ecosystem of local contractors and consultants to assist in the delivery and maintenance of these solar farms, providing jobs and investment opportunities for the immediate community.

"Grong Grong Solar Farm will be located on an exceptional site to prototype an Australian community-owned solar generation business and we are grateful to have found an incredibly supportive landowner such as Gemma to form this wonderful partnership with."

#### LINE Hydrogen's unconventional crowdfund

In early June, LINE Hydrogen, an Australian startup hydrogen energy company, launched a crowdfunding campaign via Birchal with the aim to raise around \$2 million to kick-start Tasmania's hydrogen industry.

The campaign was launched following a successful expression of interest phase that saw upwards of 1,000 Australians sign up. By 16 June, the CSF closed with a total of \$1,387,308 raised from 638 investors.

"I guess it is unusual for a company like us to go through a crowdfund. We went into the process on the back of quite a lot of requests on social media, and so we thought we'd give it a shot," LINE Hydrogen Founder, Brendan James, said.

LINE said it was "aware of the eagerness of environmentally-conscious Australians to help accelerate the green energy transition" and was therefore "welcoming investors from all walks of life to support the campaign".

The community support will add to the \$5 million in funding that the new Labor Federal Government pledged to LINE as part of its Tasmanian funding initiatives, which LINE said was a confirmation of a hydrogen-powered future for Australia.

Mr James said that support from government, industry and the community would be critical in achieving net-zero ambitions.

"We need to take action now," Mr James said. "The new Government has made it clear that Australian hydrogen should be produced by Australian companies for all Australians, and now is the time for all Australians to have a say in our green future."

Based alongside the Bell Bay Solar Farm in Tasmania, LINE Hydrogen plans to produce green hydrogen from early 2023.

"Our mission is to be Australia's leading new energy producer, integrating both the production and end-use market demand by delivering near-term commercial-scale green Hydrogen. We aim to achieve this by providing cost-competitive hydrogen supply while facilitating and engineering end-use market demand," Mr James said.

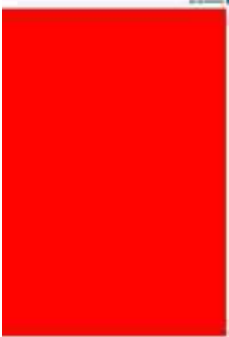
Though the Queensland-based company has received funding from cornerstone investors, it said its crowdfunding campaign allowed future-focused Australians to play a role in the green energy transition.

"Ultimately, what we want is a significant amount of Australians owning the Australian hydrogen economy," Mr James said.

#### Enova Community Energy's tumultuous journey

In 2018, Australia's first community-owned renewable energy retailer, Enova Community Energy, partnered with one of the





country's first equity crowdfunding platforms, Crowd88, to fund its expansion across New South Wales, Queensland, Victoria and South Australia.

Enova's focus on community-led energy ownership had seen the company successfully establish itself since its launch two years earlier, and so had launched the equity crowdfunding to generate between \$600,000 and \$3 million with a minimum investment of just \$100 for 100 shares.

At the point of launching the crowdfund, Enova had already achieved its initial target customer numbers of 5,000, including 300 local businesses, and was generating \$5.2 million in annual revenue.

"Enova is a social enterprise. We are tracking towards a 100 per cent renewable model where local homes and businesses produce, consume and share Australia's abundant solar resource, supported by other sources of renewables and batteries," former Enova Chair, Alison Crook, said at the time.

Although the company did not publish the results of its 2018 crowdfunding campaign, it went on to see plenty of sustainability success over the next four years. Enova rose to be the number one green retailer in the country in 2022, after being ranked first and being rated 5 stars in the Green Electricity Guide by Greenpeace.

However, unfortunately, on 21 June 2022, Enova Community Energy announced that it was forced to enter into voluntary administration due to the unfolding energy crisis and prevailing market conditions, which meant that it was no longer able to acquire suitable wholesale energy price hedging.

In a statement, Enova's Managing Director and CEO, Felicity Stening, said that the current "diabolical state of the energy market" was "broken" and "does not support small retailers".

Enova is currently in the process of settling liabilities as part of the administration process, which includes shareholders, lenders, and suppliers.

### Risks and rewards

Historically, investors in an early-stage startup could wear up to tens of thousands of dollars, and would need to submit a hefty load of paperwork, requiring a substantially high level of financial literacy. CSF removes many of those barriers for early-stage investors, and connects the community with projects and products that they're passionate about.

Hamish Landreth, a financial consultant at Prosperity Wealth Advisers, told *The Guardian Australia* that for many consumers, the opportunity to become a shareholder in a business they cared about was "quite a compelling proposition, perhaps more so than something like being a tiny shareholder in a major bank".

For those that want to see greener energy generation, reliable storage and lower bills, investing in CSF energy projects can bridge the gap between consumers, generators and retailers, allowing the former to take action on things like climate change and net zero targets.

However, all investment carries risks – which can be especially true of startups or new ventures. Even when a new business sees success, it can take a while before it starts turning a profit, meaning that it's unlikely that CSF investors will see a return on their money in the short term. In addition, due to CSF terms and conditions, shares bought often cannot be sold on and so the investor will be 'locked in' to the shareholding.

Enova Community Energy's difficulty with the current energy crisis also serves as a cautionary tale that, though an essential service, investing in energy still carries a significant risk – especially as many other small energy retailers struggle to stay afloat in the current energy market.

That being said, Ms Stening maintains that there needs to be a diverse range of retailers in the energy market for the sake of the consumer.

"Retail energy is a complex and difficult market for smaller organisations to operate in. However, small and medium retailers provide a much-needed alternative to the big players to maintain and ensure consumers have choice," Ms Stening said.

The difficult energy crisis has put an increasing amount of pressure on the market, and the retailers and suppliers operating within it. But, that doesn't seem to have had an impact on the change that the Australian public is demanding to see in cleaner energy generation and net zero targets. So, whether it be through individual projects or ongoing retail organisations, it seems that CSF will provide choice and agency to consumers around their energy in a way that they've perhaps never had before. ■



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