Lighthouse Community Energy Project

Business Case

CLEANaS - Clean Energy Association of Newcastle and Surrounds

Version 1.A (04/01/2016)

DOCUMENT ACCEPTANCE and RELEASE NOTICE

This is Version 1.A of the Lighthouse Community Energy Climate Bond Business Case.

The Business Case is a managed document. For identification of amendments each page contains a release number and a page number. Changes will only be issued as a complete replacement document. Recipients should remove superseded versions from circulation. This document is authorised for release once all signatures have been obtained.

PREPARED: DATE:19/01/2016
(for acceptance) (Daniel MacDonald, Responsible Officer)

ACCEPTED: DATE: 23/05/2016
(for release) (Alec Roberts, Business Case Sponsor)

Table of Contents

- Introduction/Background
- Overview
  - Vision
  - Organisational Objective
- The Business Case
  - Purpose of the Business Case
  - Business Case Sponsor
- Situational Assessment and Problem Statement
- Assumptions and Constraints
- Identification and Analysis of Options
  - Identification of Options
    - Option 1 - offer and manage Community Energy Cooperative shares and CCUs
    - Option 2 - Community Energy Climate Retail Bond
    - Comparison of Options
  - Recommended Option
- Implementation Strategy

1. Introduction/Background

The Clean Energy Association of Newcastle and Surrounds (CLEANaS) aims to increase the uptake of renewable energy and energy efficiency installations in the Hunter region by establishing a functional business model for community finance of a portfolio of renewable energy installations.

The business model will be;

- chosen from the range of available business models available in NSW,
- further developed to suit the specific needs of CLEANaS and the stakeholders identified,
- improved using strategic participation from organisations that have capabilities or expertise in areas lacking in the community energy sector,
- implemented on a range of renewable energy installations identified by CLEANaS,
- shared widely with the community energy sector in NSW and Australia.

This document is intended to allow feedback to be provided from the community and interested stakeholders on the preferred business case and method of implementation.

CLEANaS has identified 12 potential community energy installations in the Hunter region that the preferred business model can be applied to and intends to progress six of the most suitable sites. It is expected that installations will be financed through community investment and hosted by local enterprises to provide an economic return to the community members.

The community members could provide finance for the renewable energy systems by;

- becoming financial members of a cooperative and/or purchasing cooperative credit units (CCU), or
- taking out a form of green bond from a financial institution.

The host enterprises could host the renewable energy systems by;

- agreeing to buy the power from the installed system (owned by a community energy cooperative, or a private company) under a Power Purchase Agreement,
- taking out a loan from a partner bank and installing to own, or
- leasing from a partner leasing organisation under agreement.
- .

The host enterprise may include (but is not limited to) schools, local shops, industry, government facilities, not-for-profits and community facilities.

The recommended business model arising from this business case is expected to be implemented with the results published to the benefit of other community renewable energy groups.

2. Overview

2.1. Vision

The goal of the project is to establish a suitable community financing mechanism that can be used on six community developed and financed renewable energy installations that feature at least solar generation and may include energy efficiency measures. The project is expected to deliver a business model which includes participation from a financial institution or government organisation that can facilitate the on-boarding and management of community investors.

2.2. Organisational Objective

The project directly relates to the organisational goals of CLEANaS, being to drive the uptake of clean energy generation technologies in Newcastle and the surrounding areas in both the commercial and residential sectors by establishing community funded renewable energy solutions for direct electricity supply. This business case aims to align with the organisational objectives of the identified stakeholders. This includes associated financial institutions who can utilise investor management tools to connect with potential customers who may explore other business offerings of the financial institution, as well as the regional organisation of councils with strategic objectives of increasing participation in environmentally sustainable initiatives whilst also potentially acting to increase the efficiency of council assets.

3. The Business Case

3.1. Purpose of the Business Case

This Business Case is provided in order to;

- identify the opportunities that exist in resolving current community energy hurdles,
- analyse the relative merits to stakeholders of two identified business models that could be applied to the sector,
- identify the establishment costs required, benefits, and exposure of the community finance models, and to
- activate, seek feedback and broad acceptance from the interested stakeholders to proceed with the project and participate in the further development and implementation of the recommended solutions.

3.2. Business Case Sponsor

This Business Case has been developed by CLEANaS with assistance from Networked Innovations, The Tarani Group and the Community Power Agency. This project has been funded by NSW Office of Environment and Heritage.

4. Situational Assessment and Problem Statement

CLEANaS completed a survey in 2013 which demonstrated considerable interest for investment and participation in community energy.
This interest generally took two forms:

- those interested in investing a between $1000-$2000 in renewable energy projects for a commercial return, and
- those wishing to donate up to $100 to what they consider to be a worthy cause (such as providing community solar to not-for-profit or charitable organisations).

CLEANaS has since been actively working to further the sector in NSW including;

- raising the profile of the benefits of community financed renewables,
- playing a significant role in the donation based community financing of the 12kWp Hunter Wetland Solar Installation.
- identifying a suite of local sites for potential energy projects,
- developing partnerships with an extensive variety of local community groups,
- beginning preliminary investigations into new financing models, and
- developing a toolkit to support the assessment of the technical and economic feasibility of potential projects.

CLEANaS is run by a small group of volunteer community members whose available time is limited and often requires third party paid or in-kind support to achieve the aims of the organisation therefore requiring external assistance to support the creation and management of new business entities. Due to limited funding, the association also has reduced / limited capacity to outsource the reporting and business administration of business entities to professional organisations. The project will seek to overcome this gap by identifying a solution that requires small amounts of volunteer time and seeks active participation from partners to help cover the ongoing resources/costs, or to fund third party costs through the renewable installations themselves.

CLEANaS sought expert advice in mid 2014[1] in relation to potential models for community financed renewable energy installations. This advice concluded that a number of options exist for organising financial participants, but it did not address the challenge of funding the various options or ways of efficiently and effectively managing the funds and financial holdings of the community investors. The major challenge identified by CLEANaS was that regardless of the business structure employed, managing larger numbers of community investors was costly and time consuming. The Lighthouse Community Energy Project aims to address this issue by partnering with a financial institution or local government to reduce this burden. CLEANaS anticipates that this project will identify and develop the relationships and materials needed to implement the most appropriate business structure/arrangement, as well as investment/investor management system. These will be informed by and in support of the objectives of the organisation and stakeholders.

[1] http://tinyurl.com/jh9mouc

CLEANaS has specifically identified a capability and financial gap in managing community investors, in areas such as;

- identity verification of the investors,
- raising and managing the funds sourced from the investors,
- managing the portfolios or investment of the individual community members,
- undertaking the reporting and legislative requirements,
- communicating formal matters (annual reports) and others with the investors, and
- managing transfer, termination and additional fundraising.

It is expected that the project will deliver suitable partnership arrangements with financial institutions and/or government organisations to help overcome these gaps.

5. Assumptions and Constraints

It is assumed that CLEANaS members will be available to provide support and feedback throughout the project to sign off on decisions and documents needing to be executed in a timely manner in order to achieve the project goals. It is also expected that the identified stakeholders and potential partner organisations will be willing to engage in the development of suitable business models that seek to benefit the project, stakeholders and the financial institutions and/or organisations.

It is understood the the financial institutions and government organisations have had limited prior engagement and that there is no formal agreement from them to participate in the project at the time of preparation of this business case.

Specialist skills have been sought from a number of organisations to help to achieve the project including;

- **Tarani Group** - have experience in working with clients to support local economic development and business growth, and marketing partnerships.
- **Networked Innovations** - have experience in community energy through community engagement, assessing business models and in the technical assessment of renewable energy installations.
- **Community Power Agency** - have expertise in supporting the establishment and building the capacity of community groups in the community energy sector and have developed resources to support community energy groups to develop and select appropriate business models to support their projects.

No dependencies have been identified with other CLEANaS projects or initiatives that should restrict or delay the progress of this project.

6. Identification and Analysis of Options

CLEANaS and the project team identified 2 potential options for analysis.

6.1. Identification of Options

The following options are investigated further below:

Utilise a partner financial or local government institution's financial and member management capability to;

- **Option 1**- offer and manage cooperative financial memberships, shares or cooperative credit units (CCUs) in a community energy cooperative , with the funds available in an account for the cooperative to issue loans to hosts of installations or to fund installations that the cooperative owns itself..
- **Option 2** - offer Community Energy Climate Bonds under the Climate Bond Standard, with the financial institution providing loans for certified renewable energy installations.

6.1.1. Option 1 - offer and manage Community Energy Cooperative shares and CCUs

The first option would be to work with the financial or local government institution to offer and manage the memberships, shares and CCUs of a community energy cooperative.

The cooperative would issue shares to the active members and issue Cooperative Credit Units (CCU) to the wider community that may only wish to invest money and be less involved in the day to day of the installations or the organisation. The cooperative would seek to provide a profit to the investors and a reduction in electricity costs for the project hosts.

The cooperative may own a portfolio of community energy installations selling energy to hosts under a PPA, lease the systems to hosts or provide loans to hosts to install their own installations. At the same time the cooperative would be the legal entity that organises the community memberships and shares.

CLEANaS considers the cooperative business structure suitable for organising active members and community investors where the organisation is the owner of one or more community energy installations.

The financial institution or local government must have an existing system which can effectively on-board and manage members and funds. The community owned credit unions and other member owned financial organisations have existing systems that they use on a daily basis that may require minimal to no upgrade to accommodate this function and as such they may be able to offer this as a limited service to the cooperative. This service would be provided in return for additional PR exposure to the community and as a way to capture more business and generate good-will.

Benefits

- Requiring the financial institution or local government to just manage memberships, shares and CCUs allows the cooperative more control and encourages higher participation from the community members,
- Bringing financial participants together in a co-operative structure is aligned with the community energy ethos of active participants demonstrating control, collaborative working and learning, and a real sense of ownership around the installations,
- Flexible cooperative rules and disclosure documents allow for tailored form and function of the organisation with rules being able to be modified from time to time,
- A legal entity of this nature needs to be established where a group intends to own one or more installations and sell power under a Power Purchase Agreement (PPA) to the host of an installation if that is required by the host,
- The cooperative structure of members and CCU holders allows for different levels of involvement in the projects. Members can be actively involved in the development, financing and operation of the installations where CCU holders can be more passive by providing financial investment only,
- This allows for new project ledgers to be more easily created for separate rounds of CCU financing,
- Allows the cooperative more control about which installations should be developed and financed.

Limitations

- Requires the establishment of a cooperative which includes consultation and active involvement from members to establish the organisation and agree on the rules and disclosure documents,
- some form of member activity needs to be demonstrated however this may be set as fairly minimal requirement such as simply receiving newsletters etc.,
- financial records must be recorded and stored for 7 years and annual reports need to be provided to members at the end of each financial year,
- directors have similar responsibilities to those of company directors. Liabilities exist for the cooperative directors and care would need to be taken to ensure the quality of projects, stability and credit worthiness of hosts and care of the members. It may be harder to find directors willing to accept that level of responsibility on a volunteer basis,
- places higher responsibility and thus more due diligence requirements on the cooperative regarding the quality of installations owned or financed by the cooperative,
- decisions which have a significant impact on the co-operative must be approved by the members and even though some shareholders may have a greater involvement or investment than others, they still only get one vote
- establishing a new cooperative entity with no track record will be seen by investors as having less credibility and as such it is likely that any investments will expect a higher rate of return to compensate for the risk exposure.

Costs

- Application for registration of proposed co-operative - $356
- lodgement of annual return reports by small co-operative - $70 per year
- application for approval of the statement and terms of issue of CCU's - $254
- legal costs for the drafting of the documents required above - $5,000 - $10,000
- communication expenses - $1,000 per year
- accounting and audit - $5,000 per year
- share registry cost - $5 per member per year (only if required to be undertaken by the cooperative itself if the financial institution unwilling to undertake this role).

Risks

- Fail to attract enough members or CCU holders to have the financial resources to finance the project(s)
- inadequate due diligence undertaken by the cooperative leading to financial or technical issues with the installation,
- project hosts fail to make repayments or pay the agreed electricity bills as per the PPA to the cooperative,
- cooperative members seek to change the rules of the cooperative to the detriment of the installations,
- costs of managing members and CCU holders cause installations to become unviable,
- technical issues or damage to the installations cause financial cost to cooperative,
- cooperative is sued for negligence or other by the project hosts, public or the members/CCU holders,
- the cooperative rules and disclosure documents do not adequately cover the needs of the cooperative causing financial implications,
- the cooperative fails to report on the financial performance of the cooperative in the legislated time-frame,
- members or CCU holders wish to leave the cooperative due to poor financial performance or other reasons,
- demand for installations outstrips capacity of the cooperative to deliver.

Stakeholder Impact

<u>CLEANaS</u>

- Volunteer time required to help establish the cooperative and draft the rules and disclosure documents to adequately informed of the nature and extent of a person's financial involvement or liability as a member, register the entity, as well as run the cooperative,
- provides a separate entity for CLEANaS members to undertake project installations via,
- costs CLEANaS establishment funds which could be reimbursed by the cooperative at a later stage,
- provides the ability for CLEANaS members to be actively engaged in projects and have real ownership of projects,

- would take resources away from other CLEANaS activities.

Community Members

- provides an understandable structure for the community to be involved in (cooperatives have been around for long times),
- allows for some community members to become very involved in project development and ownership,
- provides the ability for community members to simply invest money in local renewable installations through the CCU,
- gives the community higher levels of local ownership and feel good factor through trusted local management of the cooperative,
- facilitation by the financial institution would provide community members with more confidence and provide a channel for community members to engaged actively with those financial institutions.

Installation Hosts

- provides a legal entity to interact with, which may own the renewable energy installation or provide a loan for it.

Financial Institutions

- provides financial institutions the opportunity to engage with the members and CCU holders in a way to potentially capture further business opportunities,
- require some set up, but utilises existing systems in place for financial institutions to manage members and funds,
- provides less control to financial institutions due to the interaction with the co-operative legal entity,
- may reduce or increase risk due to the reliance on the cooperative to undertake due diligence for projects as financial institutions are simply providing a service to the co-operative,
- may require a greater level of information sharing between the cooperative and the institution,
- provides an opportunity for co-branding but less so than other models where the financial institution plays a more central role.

6.1.2. Option 2 - issue and manage Community Energy Climate Retail Bonds

The second option would be to establish a new Community Energy Climate Bond program that would establish a set of standards and agreements allowing the participating financial institution and/or government organisation to play a more central role in the loan issue to certified installation projects. In this model CLEANaS would not establish or manage a new business entity to cover projects and community investors. Instead, the program would rely on the financial institution (and/or government organisation) providing loans to renewable energy projects that meet the green bond standard. CLEANaS would play a central role in assisting projects to achieve the standard by preparing required data and documentation. CLEANaS can still create a private company to use as the owner of projects where a PPA is in place with the host sites or the host may also own the project themselves. The financial institution may agree to undertake the due diligence on the

applicant projects to ensure that the standard has been met. The financial institution would advertise green bonds as a product to its members and to prospective members/customers. It is anticipated that the rate on the green bond would need to sit somewhere between bank deposit rates and stock market average returns and be commensurate with the risk of the installations. Similar schemes overseas have involved local councils which has helped to reduce the risk profile of the projects. The green bond product would most likely be used to finance a portfolio of installations that meet the climate bond standard.

Green Bonds are tax-exempt bonds which are issued by federally qualified organizations and/or municipalities. “Green Bonds” is short for ‘Qualified Green Building and Sustainable Design Project Bonds’.

The Tarani Group have undertaken an opportunity paper for green bonds in Australia. Click here to view the full document.

CLEANaS considers this business arrangement suitable for where it is less important for the community to own and direct the operation of the installations themselves and are instead satisfied in participating in community energy through a financial instrument. This structure is also useful where additional groups or host site take out the loan to finance the installation for their ownership and control.


CLEANaS LIGHTHOUSE Community Energy Project

Green Bonds Investment Model

DEFINITION 'Green Bond'

A tax-exempt bond which is issued by federally qualified organizations and/or municipalities. "Green Bonds" are short-hand for Qualified Green Building and Sustainable Design Project Bonds.

Situational Analysis – Green Bonds Globally

The global green bond market is one of the fastest growing markets in the world. 2014 saw investment in US$36 billion of labelled green bonds, being three times that of 2013. It was tipped to more than double again, with estimates of over $100 billion in green bonds to be issued in 2015.

Situational Analysis – Green Bonds in Australia

While the global market was established over a decade ago, the first Australian dollar-denominated green bond on the Australian market was issued only last year.

The first World Bank Kangaroo Green Bond offer attracted $300 million from investors. This was followed by National Australia Bank's $300 million Climate Bond issued in late 2014 and the $600 million Kangaroo Green Bond issued by German development bank, KfW, in 2015.

To date, the biggest issuance by an Australian-based issuer has been the recent ANZ Green Bond which closed over-subscribed at $600 million. This is one of the largest green bond issuances of any commercial bank in the world for 2015. The five-year fixed rate bond had a coupon of 3.25% and was rated AA-.

Analysis by the Clean Energy Finance Corporation (CEFC) shows the Australian green bond market doubled in size in the first half of 2015, and was expected to pass $A2 billion in cumulative issuances by the end of the year (bringing with it more than 100 institutional investors).

Benefits

- Clear differentiation between the renewable energy installations and the investors makes everything simpler to establish and operate,
- structure allows for CLEANaS and a number of organisations to take out loans for one or more installations and may still elect to provide a Power Purchase agreement (PPA) for host sites where that is the preference,
- members can be actively involved in the development, financing and operation of the installations through CLEANaS and the private asset ownership company that is established,
- Relatively straightforward opportunity for reinvestment at end of green bond term,
- allows for multiple organisations to apply for project loans from the green bond funds,
- provides greater participation from the financial institution in the financing of the projects and takes advantage of the core capabilities of the financial institution,
- utilises a globally established climate bond standard to ensure quality of investments,
- investment in a portfolio of projects that meet the standard mean that the risk is reduced,
- based on an already globally successful financial model.

Limitations

- Relies on participation from the financial institution and/or government organisation to setup up and operate the bond program, especially as it would be a comparably small investment opportunity and they would need to provide the resources for managing it.

- community members may want more control or direct participation in the projects they are investing in, whereas green bonds are usually applied to a portfolio of projects, however this could be resolved by limiting the release of bond rounds prior to financing of specific installations (this needs to be checked with the capability and interest of the financial institution),
- CLEANaS would still have obligations if they elect to own projects through an asset ownership company. Liabilities exist for the private company directors and care would need to be taken to ensure the quality of projects, stability and credit worthiness of hosts,
- the financial institution will have the final say on if loans are issued for projects which may take some control away from CLEANaS.

Costs

- Legal costs for the drafting of the documents required above - $5,000 - $10,000 (to be shared with the financial institution)
- communication expenses - $1,000 for CLEANaS communication and promotion of the program with additional costs covered by the financial institution as part of their annual marketing budget,
- accounting and audit - $ Covered by the financial institution with project related costs falling within each installation budget,
- costs of establishing the asset owner company for CLEANaS owned projects - $2000 (shelf company, including accountant's fees).

Risks

- Project owners fail to meet loan repayments to the financial institution,
- majority of the community Investors are not interested in simply investing through a bonds scheme and prefer direct investment in projects,
- financial Institution and/or government organisations unwilling to fund the setup costs of the green bond program and instead require CLEANaS to do so,
- financial Institutions do not see the benefit of involvement in the program
- under-subscribed Bonds Issuance.

Stakeholder Impact

<u>CLEANaS</u>

- Additional volunteer time up-front to establish the program as negotiation required with financial institution to prepare value proposition and business case,
- would still require a separate asset ownership entity for CLEANaS projects where hosts seek a PPA and do not want to own the installations,
- provides the ability for CLEANaS members to be actively engaged in projects through developing their own under the PPA model or through assisting other organisations to seek accreditation for green bond loans,
- allows for CLEANaS to focus on key organisational strength of promotion of opportunity rather than direct management of investments and less requirement to drive own projects,

- provides the opportunity for a revolving fund whereby investors could re-invest at the end of the term to support future community energy sites.

Community Members

- Provides greater access to participate through a financial institution that has both online and physical branch access,
- gives higher investor confidence through global accreditation and central facilitation by the trusted financial institution,
- allows for community members to become very involved in project development through CLEANaS owned projects,
- provides the ability for community members to simply invest money in local renewable installations through the green bonds,
- offers a tangible and intangible return on investment,
- low risk investment for those looking to secure a financial return.

Installation Hosts

- Requires potentially more work and development effort to seek accreditation and loan approval,
- gives a globally recognised framework for the loan issue they are applying for which increases confidence and potentially encourages participation in the program,
- requires hosts to repay financial institutions directly which may be easier

Financial Institutions

- Provides financial institutions the best opportunity to engage with the green bond holders in a way to potentially capture further business opportunities,
- requires some set up but also utilizes the existing systems in place for financial institutions to manage bond holders and funds,
- provides greatest control to financial institutions as they issue the loans to accredited projects and on-board and manage bond holders,
- reduces risk due to global climate bond accreditation program,
- places the onus on the financial institution to communicate with the bond holders about the progress of the renewable energy projects in the portfolio,
- provides the best opportunity for branding as the financial institution plays a central role in the program.

6.1.3. Comparison of Options

Criteria	Option 1 - Cooperative	Option 2 - Climate Bond
Project Scope ○ Technology ○ Project Size ○ Budget ○ Timeframe	More flexible to technology solutions as new options can be incorporated into the rules of the cooperative. More control on the project scope generally as more reliant on cooperative to progress the installation projects.	Standards exist for solar, wind and low carbon buildings at this stage with further standards being included soon. However feedback from the Climate Bond Initiative indicate that the current standards should allow for the

		variety of installation types CLEANaS is considering. 'Pool' of funds may open the door to larger scale projects with larger budgetary requirements which could be a positive or negative. Time-frame will be somewhat reliant on the institution's governance requirements. Provides access to community finance for proponents other than CLEANaS which may increase competition for community funds.
Social/Engagement	Creates a high sense of ownership for the community. More engagement with hosts sites and members/investors, co-operative members are incentivised to be more directly involved in the projects.	Broader and less targeted engagement through financial institution taking the lead role. Financial institution may be keen to capture the interest of community members wanting to make a profit from green projects rather than being directly involved in project.
Financials, Governance and Legals	Requires significantly more effort from CLEANaS to establish the business model and will require higher work from the cooperative members to manage ongoing governance, financial and legal obligations.	Requires more work by the financial institution to ensure that processes are in place for issuing loans and on-boarding, as well as ongoing management of climate bond holders. Less work for CLEANaS members. Ability to create a 'revolving fund' process whereby reinvestment can be automated.
Assumptions (LGCs/STCs, bank interest rates, electricity pricing tariffs, retail opportunities, security of tenure)	Assumptions similar across both.	More likely to issue loans to renewable energy projects which reduces the need to be concerned about security of tenure.
Value proposition for stakeholders/partners (credit unions/banks). Social, Environmental, Economic	Good opportunity for the financial institutions to promote themselves as providing member and investor support only to the cooperative.	Higher value proposition to the financial institutions as they have the ability to directly recruit green bond holders and directly engage with the project hosts. This could provide both personal and business banking customer leads

		(see Value Proposition document).

6.2. Recommended Option

Based on the above analysis, combined with the Green Bonds Opportunity Paper, the Values Proposition document, and all relevant desktop research, the core recommendation would be to pursue the Climate Bond model as priority 1. This model will reduce governance, financial and legal constraints on CLEANaS, and will open the door to a sustainable revolving fund model managed by the partner institution and/or government organisation.

7. Implementation Strategy

1. Value proposition to be completed for financial institutions;
2. Introduction letter to cover and value presentation to share with financial institutions after contact by phone.
3. Develop database of potential organisations and what might be their interest from publicly available information?
4. Contact local member owned financial institutions (Greater Building Society, Hunter United Credit Union; Bendigo Bank; NPBS; Community First; NRMA etc) Member owned superannuation firms (Future Super; etc) and local governments (Lake Mac, Newcastle, Hunter Councils).
5. Meet with interested organisations to seek further participation and discuss possible business & financial model(s);
6. Develop Detailed Business & Financial Model based on meeting outcomes.

Appendix A - Opportunities Paper on Green Bonds

Appendix B - Business Model Comparisons and Case Studies

The following table provides a comparison of all models considered in the research phase of this business case.

Structure	Benefits	Disadvantage
Green Bonds *See Opportunity Paper in Appendix B*	Clear differentiation between the installations and the investors makes it simpler to establish and operate, Structure allows for CLEANaS and a number of organisations to take out loans for one or more installations. May still elect to provide a Power Purchase Agreement (PPA) for host sites where that is the preference, Members can be actively involved in the development, financing and operation of the installations through CLEANaS and its private asset ownership company; Allows for multiple organisations to apply for project loans from the green bond funds, Provides greater participation from the financial institution in the financing of the projects and takes advantage of the core capabilities of the financial institution, Requires less volunteer time to help establish the program as higher involvement from financial institution and use of climate bond standard documents Utilises a globally established climate bond standard to ensure quality of investments, Gives higher investor confidence through global accreditation and central facilitation by the trusted financial institution; Offers a tangible and intangible return on investment;	Relies on financial institution and/or government organisation to setup up and operate the bond program, Community members may want more control or direct participation in the projects they are investing in CLEANaS would still have obligations if they elect to own projects through an asset ownership company. Liabilities exist for the private company directors and care would need to be taken to ensure the quality of projects, stability and credit worthiness of hosts, The financial institution will have the final say on if loans are issued for projects which may take some control away from CLEANaS. Requires potentially more work and development effort to seek accreditation and loan approval

	Low risk investment for those looking to secure a financial return; Provides financial institutions the best opportunity to engage with the green bond holders in a way to potentially capture further business opportunities Allows for CLEANaS to focus on key organsational strengths rather than direct management of investments. Provides the opportunity for a revolving fund whereby investors could re-invest at the end of the term to support future community energy sites. Based on an already globally successful financial model.	
Community Energy Cooperative	Flexible structure allows for tailored function; Legal entity allows for the ownership of one or more installations so a PPA can facilitate selling the power to the project host if required; Structure of members and CCU holders allows for different levels of involvement; Allows for new ledgers for separate CCU rounds; Aligned with community energy ethos & community ownership; More control over decision making.	Considerable initial & ongoing involvement from members; Significant governance and record keeping requirements (see bit.ly/1SDc0DC) Financial and annual reporting functions; Liabilities for cooperative directors; Higher responsibility and due diligence requirements on the cooperative regarding the quality of installations owned or financed; Decisions which have a significant impact on the co-operative must be approved by the members Financial institutions may be hesitant to partner with cooperatives.
Donation Model *Crowdfunding Platform & Case Examples*	Community members provide voluntary contributions to fund renewable energy and energy efficiency installations for community organisations.	Administration resources to promote fundraising, manage and report donations and loan repayments, and assess and liaise with prospective project hosts.

or traditional fundraising examples: *http://corenafund.org.au/* *http://www.thepeoplessolar.com/* *and* *http://cleanenergyforeternity.net.au/current-projects/imagine-solar-farm-project/*	These funds can be part of a revolving fund where interest-free loans are repaid by community organisations to a funding pool to assist in funding future installation projects. No limit on donations. Loan is repaid over time out of the savings on power bills. Projects can be implemented by any incorporated association Community members highly engaged - aligned with community energy ethos & community ownership; Control over decision making.	Requires regular transparent financial and project reporting so that the public can see how donated money is used, and annual financial audits The first project is the hardest to fund because 100% of funds must be donated. No financial return to investors; Must include a statutory body (ie council) as a project partner for crowdfunding model – debt carried by council.
Community Investment Model Case Example	Clean Energy investment opportunity; Return on investment to community stakeholders; No upfront costs for host site; Broad stakeholder engagement - Members can be actively involved in the development, financing and operation of the installations through CLEANaS and its private asset ownership company	<20 investors (or requires Australian Financial Services Licence) or Special Purpose Vehicle (SPV) Higher entry level for investors SPV owns and operates/maintains the installation for an agreed period (say 7-10 years), with a power purchase agreement in place with the host Significant administrative and governance requirements for CleanAs; Not an entirely independent community entity. While the SPV is entirely owned by community members who are shareholders, it is governed by the board of the parent community organisation (CleanAs) through a special shareholding that gives them voting power but no dividend rights.
Commercial – community partnership model Case Example - Clearsky	Broad stakeholder engagement; Provide a source of low cost finance for solar PV installations;	< 20 investors; Higher entry level for investors;

	Clean Energy investment opportunity; Short time-frame from site identification to installation; The Commercial Partner takes care of installation, monitoring, maintenance and billing.	Dual ownership (community group and developer/ provider); Requires establishment of a not-for-profit company, and a number of Trusts (one for each project); Investors don't own the installation (it's essentially a PAYG model); Short timeframe to raise capital.

Appendix C - Value Proposition Info-graphic