



EUROPEAN CLIMATE, INFRASTRUCTURE AND
ENVIRONMENT EXECUTIVE AGENCY (CINEA)

CINEA.B - Sustainable networks and investments
B.4 - CEF Energy and Renewable Energy Financing Mechanism

Renewable Energy Financing Mechanism

Programme level FAQs version 13/04/2023

Note:

any mention of "RED II" in this document refers to [Directive \(EU\) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources](#)

any mention of "Governance Regulation" in this document refers [Regulation \(EU\) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action](#)

Any mention of the "RENEWFM Implementing Regulation" in this document refers to [Commission Implementing Regulation \(EU\) 2020/1294 of 15 September 2020 on the Union renewable energy financing mechanism](#)

1. WHAT IS THE LEGAL BASIS OF THE RENEWFM?

The establishment of the RENEWFM has been set forth by art.33 of [Regulation \(EU\) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action](#).

The Commission [Implementing Regulation \(EU\) 2020/1294](#) of 15 September 2020 on the Union renewable energy financing mechanism [sets out the detailed functioning and underpinnings of the RENEWFM](#).

2. HOW DOES THE RENEWFM WORK?

The RENEWFM pools financial contributions from participating EU countries and then allocates funding through a system of competitive tenders.

It involves countries that make direct payment into the mechanism (contributing countries) and countries that allow physical installations of the new projects on their territory (host countries).

The mechanism has a collective nature because all countries that take part in it will share the statistical benefits of the produced renewable energy. This means that a contributing country can count part of the statistics from a financed project in a host country to its own national renewable energy target. The remaining part of the statistics counts for the host country.

The contributing country (or a private investor) voluntarily pays into the mechanism. This payment is then linked to new renewable energy projects built on the territory of the hosting country. Both contributors and hosts can define their preferred technologies and other project characteristics; it is for the European Commission to facilitate the process. Therefore, most of the transaction costs to set up such a mechanism are not born by the Member States.

3. UNDER RENEWFWM, WHERE DOES THE MONEY TO SUPPORT THE RENEWFWM RES PROJECTS COME FROM?

According to Article 33 of the [Governance Regulation](#) establishes that the RENEWFWM may obtain resources from payments by Member States, Union funds or private sector contributions. Pursuant to Article 4 (4) of the RENEWFWM Implementing Regulation, private sector contributions may come from any private entity, whether a natural or a legal person.

4. UNDER RENEWFWM, WHO CAN TAKE PART IN THE RENEWFWM?

Member States and where relevant, third countries, may participate to the mechanism as contributing or host countries.

The private sector may participate as investor by making a payment to the mechanism or as project developer by competing for support in the tender that will be published by the Commission.

Based on the binding commitments by host and contributing Member States, the Commission will launch the call proposals in due time (see art. 11 of the [RENEWFWM Implementing Regulation](#)), inviting applicants to submit their price offers and required application documents on the [Funding & tender portal](#).

5. UNDER RENEWFWM, WHAT ARE THE BENEFITS OF RENEWFWM FOR THE HOST COUNTRIES?

Participating in the RENEWFWM enables host countries to drive additional local investment in renewable energy projects without affecting their national budgets. The RES investment provides considerable benefits in terms of local employment, modernisation of the electricity grid, lower air pollution, and greater energy security.

Host countries also retain part of the renewable energy statistics while contributing to the overall target of the Energy Union of at least 32 % (target under revision) of renewable energy in gross final energy consumption by 2030 laid out in [Directive \(EU\) 2018/2001](#).

6. UNDER RENEWFM, WHAT ARE THE BENEFITS OF RENEWFM FOR THE CONTRIBUTING COUNTRIES?

Contributing to the RENEWFM enables Member States (MSs) to access to an abundant pool of renewable energy resources that is absent or insufficient on their own territory. MSs may have a comparative advantage in terms of potential renewable energy resources thanks to their specific geographic topology. The RENEWFM enables to make the best use of these resources at the EU level by, for example, allowing landlocked countries to benefit from offshore wind resources, or northern countries to benefit from abundant solar resources of the southern MSs.

Contributing to the mechanism allows the MSs to finance renewable energy projects that are potentially more cost-effective than the renewable energy produced on their own territory. Contributing MSs also benefit from the RES production statistics that are counted for the targets set in article 3 of [Directive \(EU\) 2018/2001](#). The agreed share of the gross generation of energy by the projects can be included in the national energy targets of a contributing MS.

Since the process is facilitated by the European Commission, most of the transaction costs to set up RENEWFM are not born by the participating parties. This is a substantial benefit for participating countries as they avoid transaction costs otherwise incurred when using Cooperation Mechanisms set out in [Directive \(EU\) 2018/2001](#).

7. UNDER RENEWFM, WHAT ARE THE PROJECTS SUPPORTED BY THE RENEWFM SO FAR?

There are no RENEWFM supported project yet. The Commission is formalising the MSs' commitments and preparing the first call for proposals to be launched at the beginning of 2023, leading to the development of the first RENEWFM projects.

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8. UNDER RENEWFM, IN WHAT FORM IS THE SUPPORT DISTRIBUTED TO THE PROJECT DEVELOPERS?

The RENEWFM contributions are distributed in the form of grant payments to project developers for both investment support and operating support, depending of the call text, pursuant to Article 17 of the [RENEWFM Implementing Regulation](#).

9. UNDER RENEWFM, WHAT ARE THE AWARD CRITERIA SET OUT IN THE CALL FOR PROPOSALS FOR RENEWFM?

The award criteria are relevance, quality and price offer. Additional award criteria may apply, where specifically foreseen in the call text.

Applicants need to demonstrate the 'Relevance' and 'Quality' of the proposed project. Proposals that have passed this assessment, are then ranked with the highest rank for the

applications offering the lowest price and thereafter in the order of the lowest to the highest price. Price offer shall consist in €/kW for investment support and in €/kWh for operation support.

10. UNDER RENEWFM, AT WHAT STAGE DO THE PROJECT DEVELOPERS RECEIVE THE PAYMENTS FROM THE RENEWFM?

For investment support, the project developers receive payments from the RENEWFM following an established payment schedule. On the first year of the commercial operation of the project (completion of work package 1 in year N), 60 % of the maximum grant amount is disbursed to the beneficiary. Two years after, upon achievement of the cumulative threshold of energy production set out in the tender agreement +an additional 20 % of the maximum grant amount is disbursed. The final payment is given following an additional 2 years of operation under the same conditionality of energy production. The project implementation period ends after 15 years of energy production.

In sum, 60 % of the grant amount are disbursed upon commercialization of the project, the remaining 40 % are allocated equally the second and fourth years' of the projects operations.

For operating support, the payments occurs upon achievement of concrete energy output defined in the grant agreement on a yearly basis. .

11. UNDER RENEWFM, WHAT CONDITIONS NEED TO BE MET TO RECEIVE THE PAYMENTS?

The payments, as set out in the applicable call for proposals, depend on the following:

- investment support:

Payments are disbursed upon completion of specific milestones as defined by the grant agreements.

- operating support:

Payments are disbursed per kWh of energy produced.

12. UNDER RENEWFM, AT WHAT POINT DOES THE CONTRIBUTING COUNTRY MAKE A PAYMENT TO THE MECHANISM?

Based on the binding commitments of host Member States, the Commission shall determine and communicate to participating Member States a ceiling price for each Call for Proposal. On that basis, contributing Member States shall first confirm within three months to the Commission their irrevocable and unconditional commitment to provide payments to the mechanism.

The Commission shall issue debit notes to the contributing Member State, on the basis of the binding commitment. The Member State shall transfer the payment to the account indicated by the debit note within the time limit indicated therein.

More information can be found in article 10 and 25 of the [RENEWFM Implementing Regulation](#).

13. UNDER RENEWFM, WHAT ARE THE TECHNOLOGIES ELIGIBLE FOR SUPPORT?

All technologies defined as renewable energy technologies under [RED II](#) are eligible for support under the financing mechanism. Energy storage is eligible for support under the mechanism only when deployed in combination with a new renewable energy capacity. The renewable energy projects supported by the mechanism should comply with the relevant Union and national environmental legislation and should also fully respect international law.

Each call for proposal may restrict the eligible technology to one or more technologies defined in art. 2 of the [Directive \(EU\) 2018/2001](#).

14. UNDER RENEWFM, WHAT IS THE CEILING PRICE AND HOW IS IT DEFINED?

A ‘ceiling price’ defines the maximum price per kWh or kW that can be awarded the RENEWFM grant within a specific call. Any applications with prices per kWh or kW higher than the ceiling price are excluded from the grant award procedure. Each RENEWFM Call for Proposal will define a ceiling price, depending *inter alia* on the host and the contributing countries’ commitments as well as other factors such as cost studies and past calls. For more information, see Article 7(6) of the [RENEWFM Implementing Regulation](#).

15. UNDER RENEWFM, HOW IS THE ALLOCATION OF STATISTICAL BENEFITS OF THE RENEWABLE ENERGY DONE IN PRACTICE?

Only the renewable energy generated by projects receiving support from grants financed exclusively by Member States through the mechanism will give rise to the allocation of statistical benefits to participating Member States. On the contrary, renewable energy generated by projects financed through the mechanism exclusively with funds coming from Union funds or private contributions will not result in the allocation of statistical benefit to individual contributing Member States (in line with Article 7 [Directive \(EU\) 2018/2001](#)). Instead, they will be accounted separately and count towards the EU collective binding target of 32 % RES energy pursuant to Article 3(1) [Directive \(EU\) 2018/2001](#).

The renewable energy allocated to host and contributing countries correspond to the renewable energy generated by the project supported by the RENEWFM grant. For example, an aggregated energy production volume (in MWh) in a particular year would result in the same volume of statistical benefits for that year to be allocated between host and contributing Member States.

The default split is that the contributing country receives 80 % of the share of renewable energy generated by projects supported by the mechanism. If the MS contribution accounts for a share of the project, then the statistical transfers to the contributing Member State will be based on 80 % of the share that is financed. The remaining 20 % of statistical transfers are allocated to the host country. A deviation from this default distribution is possible if in line with the article 27 (4) of the [RENEWFM Implementing Regulation](#).

The Commission may propose to deviate from the default 80-20 distribution in a given call.

The allocation of statistical benefits to contributing and host Member States is calculated yearly by the Commission in line with Article 7 of [Directive \(EU\) 2018/2001](#) and based on the information received from Member States. The European Commission then communicates the distribution of total statistical transfers to the participating Member States the latest by 1 October of the year following the year of production.

16. UNDER RENEWFM, WHO IS IN CHARGE OF THE IMPLEMENTATION OF THE MECHANISM?

The RENEWFM implementation is carried out by the European Commission, specifically the European Climate, Infrastructure and Environment Executive Agency (CINEA). You may find more information about the agency following this [link](#). For questions about the RENEWFM not covered in the FAQ you can contact us at: CINEA-RENEWFM@ec.europa.eu

17. UNDER RENEWFM, WHAT IS THE ROLE OF CINEA IN THE IMPLEMENTATION OF THE MECHANISM?

CINEA is in charge of the Call for Proposals management. Once projects are selected, CINEA is in charge of the Grant Agreement Preparation with the selected projects, and monitor the project implementation. Notably, CINEA is responsible for the technical and financial follow-up of grant agreements including assessment of any periodic reports and financial statements, authorising payments upon meeting the set project milestones, or following the acceptance of the project reports, as defined in the grant agreement, carrying out necessary on-the-spot controls, analysis of periodic and continuous reports, notably on the renewable energy produced by installations funded from the Renewable Energy Financing Mechanism, processing of payment claims and support to the beneficiaries in accordance with the specifications the grant agreement.

The beneficiaries of the RENEWFM will report to CINEA in line with the concluded grant agreements the data on the energy production from projects financed by the RENEWFM on an annual basis.

CINEA will consolidate the data on implementation and provide an annual report to DG ENER, including aggregated data on the renewable energy produced by the funded installations. DG ENER may request more detailed information on the implementation of the grant agreements, such as energy production from projects.

The Directorate General for Energy of the European Commission manages the allocation of statistical benefits the pursuant to Article 11 of [RED II](#).

18. UNDER RENEWFM, CAN THE CONTRIBUTING COUNTRIES CHOOSE THE TYPES OF RENEWABLE ENERGY PROJECTS TO BE SUPPORTED?

In their response to the Call for Expression of Interest, contributing countries can express their preference for a specific RES technology, multi-technologies or technology-

neutrality. The European Commission takes such preference into account while designing the calls for proposals.

19. UNDER RENEWFM, IS IT POSSIBLE TO COMBINE THE MECHANISM WITH OTHER FORMS OF SUPPORT?

It is possible to combine RENEWFM with other forms of support. Article 24(1) of the [RENEWFM Implementing Regulation](#) foresees the possibility to combine RENEWFM funding with other Union or national, public or private, programmes and/or instruments as long as these are in compliance with State Aid legislations and the same costs are not financed twice by the EU budget.