What makes an energy project an energy community?

	Citizens-owned cooperative	Majority-owned by community based organizations
Partnership description *How does the partnership look like?*	Association of individuals who come together to (i) create a new legal entity that owns clean energy assets and (ii) consume the output generated by the clean energy assets they collectively own.	Association of local and/or community-based organizations (cooperatives, faith-based organizations, nonprofits, other types of community-based legal entities), with or without participation of the for-profit private sector.
Legal entity *What is the legal entity behind the energy community?*	Cooperatives.	Limited liability companies and other types of corporations to form a Special Purpose Vehicle (SPV).
Ownership structure	Majority-owned by individual community members.	Majority-owned by community-based organizations.
Ownership *Who is the owner of the energy community?*	• The owners of the cooperative are its members. • Membership is open and voluntary. • The minimum number of members required to create a cooperative is set by the legal framework applicable to cooperatives in each jurisdiction. • Depending on the relevant legal framework, members of the cooperatives may be individuals, public entities, non-profits, and/ or SMEs.	• The owners of the new legal entities are referred to as members or shareholders, depending on the chosen legal form. • Each member/shareholder's portion of ownership is defined in percentage of interest or other types of units of ownership. • Each member/shareholder's percent of interest is usually correlated with its contributions to the SPV. • A cooperative might set up a Special Purpose Vehicle for a dedicated community project for the purpose of optimizing its financial model.
Customers vs. owners *What is the difference between being a customer and being an owner of the energy community?*	Depending on the legal framework applicable and choices made by the cooperative members: • Consumers might be required or not to be a member of the cooperative. • Consumers might be required or not to be an investor of the cooperative. • Investors might be members of the cooperative without being a consumer.	• Customers might be represented via one of the members/shareholders of the new legal entity, either because they are: (i) a member of this shareholder (e.g., nonprofits and cooperatives as shareholders) or, (ii) indirectly represented via one of the shareholders participating in the project (e.g., municipalities or other entities whose leadership is elected by community members). • Shareholders of the legal entity may or may not be its customers and customers do not have to be a shareholder to buy output from the clean energy assets.
Organization & decision-making *How is the governance organized? To which extend are citizens participating in the decision-making processes?*	• The governance is democratic and transparent, usually organized around the seven principles defined by the International Cooperative Alliance. • The legal entity is controlled by its members and all members have one vote. • Daily operations are handled by staff and/or subcontractors based on directions provided by a member-elected board of directors.	• The legal framework applicable at the country-level takes precedent. • Key corporate governance aspects are negotiated among shareholders/members and defined in documents such as the shareholder agreement, the operating agreement, and the legal status of the new entity. • Depending on the jurisdiction and elected form of corporation the new legal entity may be shareholder-managed or manager-managed. If manager-managed, shareholders have the right to elect the manager but the manager will have ultimate decision-making power. • Members of a shareholder will be participating indirectly in the governance of the new entity. Their decision-making power will depend on the governance and approach to public participation set by the organization they are a member of/represented by.
Risks allocation	All project-related risks are borne by the community.	All project-related risks are mostly borne by the community.
Profits & benefits distribution *How are the profits from the energy community distributed? How are benefits to the community captured?*	Profits may be invested in other community projects run by the cooperative or distributed to its members and investors (e.g., in the case of crowdfunding).	• The use and distribution of benefits is negotiated among members/shareholders of the new legal entity. • Community-based members may seek to invest profits and benefits in projects that serve the general interest of the community and/or of their members.
Financing *How does the specific project type relate to financing options?*	• Financing options include equity (members and/or investors), debt, grants, and crowdfunding (equity, debt, or donation-based). • The lack of a cooperative's track record may be a significant barrier to accessing debt financing. • Cooperatives may set up a separate entity to act as a Special Purpose Vehicle for the project (see community-owned entity model in next column)	• Financing options include equity (members and/or investors), debt (concessional and non-concessional), grants, and crowdfunding (equity, debt, or donation-based). • Accessing debt-financing for one specific project through a Special Purpose Vehicle is often more practical.
Technical assistance & capacity-building *What are the need sfor technical assistance and capacity-building in relation the specific project type?*	Requires trained staff for the operation and maintenance of the energy system (through direct hire or contracting of a local company) and/ or training programs to develop the capacity of local individuals to provide services related to the operation, administration and maintenance of a clean energy business.	
	• Citizen-led groups usually require technical assistance for developing their projects. • Requires capacity-building in the governance and operation of a cooperative. • Community members with limited financial resources who wish to create a cooperative may need additional technical assistance to tackle specific barriers related to fundraising and financing.	• Community-based organizations usually require technical assistance for developing their projects. • Requires capacity-building in the governance and management of a SPV. • Organizations in historically underserved communities usually require greater levels of technical assistance to tackle specific barriers related to fundraising and financing.
Main advantages	• Offers the greatest potential for democratizing asset ownership. • Often considered as the "ideal" model from an energy democracy perspective.	• Several community-based organizations can come together and own the project through a separate entity dedicated to the clean energy project. • Allows community-private sector partnerships with shared governance, which can balance (i) the need to mobilize private capital with (ii) the goal of creating economic value at the local level. • Simplicity of creation and possibility to limit the liability of owners (in most jurisdictions). • Compatibility with tax equity investors (when relevant, based on the legal framework applicable in a given jurisdiction). • May mitigate bankability and capacity related barriers associated with cooperatives (reason for which cooperatives might elect to set up a dedicated SPV)
Main challenges	• Communities with limited financial resources usually have limited capacities to mobilize the required equity and to assume all project-related risks. Hence, wealthy communities might face fewer barriers to create a cooperative. • Members are engaged on a voluntary basis which may lead to (i) limited capacity to run a business and (ii) volunteer burn-out. • Cooperative membership and/or leadership is not always representative of the community as a whole (for e.g., limited participation from women and other underrepresented groups in leadership positions). • Requires a high level of technical assistance and capacity-building throughout the entire project cycle to ensure its long-term sustainability.	• Capacity/willingness to jointly share/support equity obligations. • The legal framework applicable in a given jurisdiction might limit the number and type of shareholders. • In some cases, the legal framework applicable might limit the ability to pay dividends to shareholders. • The legitimacy of community-based organizations can be a challenge since citizens' agency is delegated to community-based organizations that are supposed to represent them and pursue public interest.

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	Semi-public corporations owned	Flip ownership
Partnership description *How does the partnership look like?*	Semi-public corporations are an association of public or para-public entities, with the private sector (non-profit or for-profit). Semi-public corporations may partner with community-based and/or citizen-led organizations in the context of an energy community project.	A community-based entity (e.g. community-based organization, cooperative, etc.) partners with a private sponsor (e.g. a company, private investor, utility) to establish a Special Purpose Vehicle (SPV). At the beginning of the project, the private sponsor owns most of the assets (99%) and receives most of the financial benefits. After a few years, when the private sponsor has reached an agreed return on investment, majority ownership "flips" to the community-based entity (between 80% and 99% usually, depending on percentages agreed upon during the project development phase).
Legal entity *What is the legal entity behind the energy community?*	Semi-public corporations constituted at the local level to advance "general interest" projects.	Limited liability companies and other types of corporations to form a Special Purpose Vehicle.
Ownership structure	Majority-owned by public entities (e.g., municipalities, departments, regions, ...)	Shared ownership but financial rights and governance rights are separated.
Ownership *Who is the owner of the energy community?*	• The owners of the semi-public corporation are its shareholders. • One or several public entities are the main shareholders while the private sector (for profit or not) may participate as a minority shareholder.	• Both the private sponsor and community-based entity are members/shareholders of the Special Purpose Vehicle. However, financial rights and governance rights are separated. • Before the "flip", the private sponsor retains most of the SPV's financial rights (99%) and most of the governance rights (*exceptions to this "rule" exist*). • After the "flip", the majority of both financial and governance rights are transferred to the community-based entity.
Customers vs. owners *What is the difference between being a customer and being an owner of the energy community?*	• Customers are represented by the local entities that are shareholders of the semi-public corporation. • Shareholders of the legal entity may or may not be its customers and customers do not have to be a shareholder to buy output from the clean energy system.	• On the community-based entity side, it depends on the entity representing community members (see other models). • Shareholders of the legal entity may or may not be its customers and customers do not have to be a shareholder to buy output from the clean energy system.
Organization & decision-making *How is the governance organized? To which extend are citizens participating in the decision-making processes?*	• The legal framework applicable to public and private entities at the country level takes precedence, and a clear governance model will have to comply with both. • Key corporate governance aspects are negotiated among members/shareholders and defined in documents such as the shareholder agreement, the operating agreement, and the legal status of the new entity. • Members of a shareholder may be participating indirectly in the governance of the new entity. Their decision-making power will depend on the governance and approach to public participation applicable to the organization they are a member of/represented by.	• Agreed upon by the members/shareholders and laid out in the agreements governing the SPV (e.g., shareholder agreement, operating agreement, legal status of the new entity). • Project management may switch from the private sponsor to the community-based entity at the time of the "flip". Members of the SPV may also elect to designate a third-party manager. • Members of a community-based shareholder may be participating indirectly in the governance of the new entity. Their decision-making power will depend on the governance and approach to public participation applicable to the organization they are a member of/represented by.
Risks allocation	Project-related risks are mostly borne by the public sector.	Project-related risks are mostly borne by the private sponsor.
Profits & benefits distribution *How are the profits from the energy community distributed? How are benefits to the community captured?*	• The use and distribution of benefits is negotiated among owners of the new legal entity. • Local governments and community-based organizations that are shareholders of the semi-public corporation may seek to invest profits and benefits in projects that serve the general interest of the community and/or of their members.	• Members/shareholders receive distributions in proportion to their membership interests, with the proportions for each members significantly different before/after the "flip". • After the "flip" the community-based shareholder(s) may seek to invest profits and benefits in projects that serve the general interest of the community.
Financing *How does the specific project type relate to financing options?*	• Financing options include equity (members and/or investors), debt (concessional and non-concessional), grants, and crowdfunding (equity, debt or donation-based) depending on the applicable legal framework in a given jurisdiction. • Local governments may be able to mobilize specific sources of funding, including green bonds and financing developed specifically to support local governments' projects. • The possibility for the private sector to be a shareholder may facilitate the mobilization of private capital.	• Financing options include equity, debt (concessional and non-concessional), and grants. • The private sponsor usually contributes most of the equity in exchange for specific incentives and benefits collected before the "flip". • The participation of the private sponsor can help mitigate customary bankability issues that a 100% community-based project might otherwise face. • Depending on the applicable legal framework in a given jurisdiction , the presence of a private sponsor allows for the incorporation of specific incentives to optimize the financial model (e.g., accelerated depreciation, investment tax credits).
Technical assistance & capacity-building *What are the need sfor technical assistance and capacity-building in relation the specific project type?*	Requires trained staff for the operation and maintenance of the energy system (through direct hire or contracting of a local company) and/ or training programs to develop the capacity of local individuals to provide services related to the operation, administration and maintenance of a clean energy business.	
	• Local governments usually require technical assistance for developing their project. • The need for technical assistance can vary greatly from one local government to another depending on their institutional capacity. Projects might benefit from establishing knowledge sharing processes between local governments and private sector partners joining the project. • Requires capacity-building in the governance and management of a semi-public corporation.	While the private sponsor might bring the expertise required for developing and operating a project, the community-based entity will need advisory and capacity-building services to ensure the knowledge and expertise gap does not result in unbalanced power dynamics between the private sponsor and community-based entity.
Main advantages	• Public entities can invest and take partial ownership of projects that are in the general interest of the community. • Allows to mobilize private capital and expertise while focusing on creating local value for the entire community. • Allows community-private sector partnerships with shared governance. • Offers an avenue to create partnerships with citizen-led groups, especially for citizen-led groups facing bankability issues to own the project on their own. As such, this model may address bankability and capacity issues associated with community-owned cooperatives and societies.	• Allows to overcome barriers associated with community access to financing. • This model is most relevant when (i) a third-party sponsor can receive specific tax benefits or (ii) there are impact-focused funds available with a specific mandate to promote community ownership.
Main challenges	• Great variations in institutional capacity depending on the country and/or levels of government participating in the project. • Legitimacy of the public entities since citizens' agency is delegated to their elected representatives, who are supposed to pursue public interest.	The governance and financing structures are fairly complex. As a result it is critical to ensure there is a balance in terms of decision-making power between the private sponsor and community-based entity.

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	Publicly-developed projects operated by a private entity	Private-sector-developed projects transferred to a public and/or local entity	Projects developed by a commercial developer or other for profit private sponsor
Partnership description *How does the partnership look like?*	Governmental bodies develop and maintain ownership of the energy assets while a private entity receives the legal right to control and use them. "Energy access" projects may be structured as "energy communities" when the use and control (and sometimes ownership) of the assets is transferred to a community-based entity rather than to a for-profit energy operator.	A private company is contracted by a public entity to develop a project under a "work-for-taxes" investment framework, with the work being supervised by a governmental entity. Once the project is built, assets are given to a public entity that may or may not transfer them to a community-based organization (see publicly developed projects operated by a private entity model).	This is a community offtake' model: community members "subscribe" to the output of a project via virtual net metering.
Legal entity *What is the legal entity behind the energy community?*	Ownership of the assets is separated from the legal right to control and use them: • The public entity may maintain or transfer ownership of the assets • The right to control and use the assets may be given to a community-owned cooperative/society or to a third-party private operator.	Depending on choices made by the private sponsor and public entity: • Ownership of the asset may or may not be transferred to a community-owned organization. • Control and use of the assets may be given to a community-owned cooperative/ society, or to a third-party operator.	Special Purpose Vehicle with no participation of community members/community-based organizations.
Ownership structure	Majority-owned by the public entity developing the project unless (i) full ownership transfer is permitted by the applicable legal framework and (ii) the public entity elect to transfer full ownership of the assets.	Ownership may remain with the supervising public entity or be transferred to a local entity (local government or community-based organizations).	Majority-owned by the project developer/sponsor.
Ownership *Who is the owner of the energy community?*	Depends on the private entity elected to receive the use and control of the assets (see other models).	Depends on the organization elected to (i) own - when full transfer of asset property - and (ii) use and control the assets (see other models).	Project sponsors such as utilities and commercial developers.
Customers vs. owners *What is the difference between being a customer and being an owner of the energy community?*	• Depends on the private entity elected to use and control the assets (see other models). • Shareholders of the legal entity elected to use and control the assets may or may not be its customers. • Customers do not have to be a shareholder to buy output from the clean energy system.	• Depends on the organization elected to use and control the assets (see other models). • Shareholders of the legal entity elected to control and use the assets may or may not be its customers. • Customers do not have to be a shareholder to buy output from the clean energy system.	Variations exist based on different pricing models: • For subscription-based models, customers will pay for the production of their share of the energy asset via a one-time upfront payment or via monthly payments. • For ownership-based models, customers own a share of a solar asset but do not have control other the physical asset.
Organization & decision-making *How is the governance organized? To which extend are citizens participating in the decision-making processes?*	• For the project development phase, dependent on the public participation processes established by the public entity. • For the operation phase, dependent on the organization elected to use and control the assets (see other models).	• For the project development phase, dependent on the public participation processes established by the private sponsor and supervising public entity. • For the operation phase, dependent on the organization elected to use and control the assets (see other models).	• The applicable corporate governance is established by the project sponsor. • During the development phase, the community decision-making power dependent on the public participation processes established and deployed by the project sponsor. • During the operation phase, community members have no input and no participation in a project governance.
Risks allocation	• Project development risks are borne by the public entity. • Risks related to the operation and maintenance phase are allocated based-on the governance applicable to the entity receiving the use and control of the assets (see other models)	• Project development risks are borne by the private entity sponsoring the project. • Risks related to the operation and maintenance phase are allocated based-on the governance applicable to the entity receiving the • use and control of the assets (see other models)	Project-related risks are mostly borne by the developer.
Profits & benefits distribution *How are the profits from the energy community distributed? How are benefits to the community captured?*	Dependent on the organization elected to (i) own - when full property transfer - and (ii) use and control the assets (see other models).		• Access to renewable energy sources and rate reduction regardless of the physical attributes and ownership of one's home or business. • The community may receive additional benefits should a Community Benefit Agreement be established to outline the benefits for the community in exchange for their support of the project.
Financing *How does the specific project type relate to financing options?*	• Usually financed through equity and debt (concessional and non-concessional). • Allows to leverage specific funding sources only available to central governments.	The intent is to leverage private capital, in that instance a company's tax obligation, to realize public investments in specific areas.	Usually financed through equity and debt (concessional and non-concessional). Project finance for large-scale projects or for a portfolio of multiple projects.
Technical assistance & capacity-building *What are the need for technical assistance and capacity-building in relation the specific project type?*	Requires trained staff for the operation and maintenance of the energy system (through direct hire or contracting of a local company) and/ or training programs to develop the capacity of local individuals to provide services related to the operation, administration and maintenance of a clean energy business.		
	While the entity developing the project will have the needed expertise in project development, the community-based organization receiving the ownership (when applicable), use and control of the assets will require capacity-building services to: • Foster its meaningful participation in the project development phase and, • Ensure they know how to govern and manage the energy community.		• Capacity-building to foster meaningful public participation during the project development phase. • Education on the different community-offtake models and offers that might be available to prospective customers.
Main advantages	• Mitigates capital access issues local government and community-based organizations may face. • Leverages "energy access" legal obligations of a governmental entity to advance "energy community" policy goals.	• Mobilizesprivate capital to unlock public investments in underserved communities. • Addresses capital access issues local government and community-based organizations may face. • Leverages"energy access" legal obligations of a governmental entity to advance "energy community" policy goals.	Allows to democratize access to clean energy output in the absence of a community-led project (distributional equity benefit only).

Main challenges	• Projects may be developed through a top-to-bottom approach since the participation of the community in the project development varies according to the public participation approach deployed.
	• The level of community control and decision-making power may vary significantly:
	  • In the absence of meaningful participation in the development and operation phase, the project would not be considered an "energy community" project.
	  • The conditions set forth by the public entity for transferring the ownership (when applicable) and/or use and control of the assets might result in significant entry barriers for newly created SPVs. This is because they may lack a robust financial history as well as a clear track record in the provision of energy services.
			• Usually not considered an "energy community" project given the absence of participation of community members in the governance, ownership, and decision-making of the legal entity owning the assets.
			• Projects may face lower level of social acceptance and/or opposition to the project.

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