

Governments are allowed to invest in other EU member states in order to meet RES share target - the European Commission (EC) introduced a financing mechanism for green energy that enables closer cooperation between member countries of the European Union, which will enter into force in January 2021.

This mechanism will make it easier for EU member states to work together to finance and deploy renewable energy projects, either as a host or as a contributing country. The energy generated will count towards the renewable energy targets of all participating countries and feed into the European Green Deal ambition of reaching carbon neutrality by 2050.

The mechanism will be managed by the EC, bringing together investors and project developers through regular public tenders. It enables contributing member states to pay voluntary financial contributions into the scheme, which will be used for renewable energy projects in interested member states (host member states).

Contributing member states invest in renewable energy projects in another country. This allows them to support projects that are more cost-efficient than deploying the same technology domestically, and invest in technologies which are not practically possible at home, for example offshore wind parks for land-locked member states, or solar energy for countries with less hours of sun.

For host member states, the collectively-financed renewable energy projects are then deployed on their territory. This benefits them in terms of national energy supply, modernization of the energy system, local investment and jobs, and improved air quality and energy security.

The renewable energy generated will count towards the renewable energy targets for both the host and the contributing member states - with the split based on the share of investment. It offers an opportunity for member states that are struggling to meet their climate targets to catch up, and to contribute to meeting the overall EU targets. This mechanism also has lower transaction costs compared to other existing cooperation mechanisms.