



Co-operative Party Policy Brief June 2014

energy & environment

the co-operative party
politics for people



This Policy Brief summarises the Co-operative Party's policies on Energy, Environment and Climate Change, drawn from the Party's national and local government manifestos, our publications on the subject and individual submissions in the first round of the 2014 policy process . More information is available on www.party.coop.

Energy

The Co-operative movement has had a long association and involvement in the struggle to ensure a cleaner, brighter environment for future generations.

The world needs to find \$1,000 billion a year of clean energy investment if we are to have any chance of avoiding runaway climate change. Last year, just \$254 billion of finance was found globally – which is less than flowed in 2012 and down a fifth on 2011's record \$318 billion of investment. Europe in particular is seeing a fall-off in finance: in 2013, investment in clean energy slumped by 41% to \$58 billion. The UK was one of the more positive areas of Europe last year, with investment falling just 8% from 2012's record figure of \$14.3billion. But then the UK is well behind most European countries when it comes to renewable energy. We derive just 4% of our energy from renewables, and are lag Sweden (51%), Austria (32%), Denmark (26%), Italy (14%), France (13%) and Germany (12%). In fact, the only two nations we out perform are Luxembourg and Malta. The UK needs to tap new sources of clean energy finance to move things forward at an accelerated rate.

It is a worrying fact that since the current Government came to power, the UK has slipped from third in the world for investment in green growth to thirteenth, falling behind countries like Brazil and India. Investment that should be coming to the United Kingdom, supporting jobs, growth and industry in this country, is now going overseas. This paper sets out a range of co-operative approaches which future Governments should follow in order to deliver upon this vision.

Since 2010, the Co-operative Party has been pleased to work closely with the co-operative and community energy sector through the passage of the Energy Act 2013, we were especially pleased to help secure further regulatory room for co-operative and community schemes to grow within the current regulatory framework. This change increased the ability of schemes to generate a minimum of 10MW within the Feed In Tariff. The Co-operative Party has been pleased to commission two important pamphlets. The 'Power Book' brought together a collection of case studies from around the country and Europe which highlighted some of the best examples of community action in the area of community energy generation and efficiency¹. During the summer of 2014 the Party, working with SERA will publish, '*The Next Generation*' which will set out a set of clear policy recommendations for the next generation of community energy production. The Party has also promoted private members legislation which we believe would have a transformative effect on the energy market.

It is clear that the current energy market is broken. Communities are facing ever increasing costs for their energy, money paid over to a small number of private companies who enjoy a

¹ <http://party.coop/type/policy/>

monopolistic position in terms of generation and retail. More should also be done to ensure that business addresses its environmental and social impact. The Co-operative Party welcomes the requirement for listed companies to report on their environmental and social impacts as progress. However, the absence of statutory reporting standards makes it difficult to have confidence in the information provided. These standards should be developed and imposed, with an overall four band rating of a company's social and environmental performance. It is also important that consumers have access to this information, and the Government should place a duty on companies to provide their four band rating on the products they produce, or in the case of the service sector, in all communications with clients.

Our continuing reliance on fossil fuels places an unsustainable and dangerous burden on our environment, as well as aggravating international tensions and jeopardising progress towards social justice.

Case study

The energy generation (planning and right to invest) bill

An example of the innovative thinking the Co-operative Party advocates is 'The Energy Generation (Planning and Right to Invest) Bill'. This Bill, would create a new right for communities to invest in new energy generation projects and to take over ownership of their local electricity grid supply.

The Bill would also establish Community Power Direct; to help local communities to buy shares in new energy investment, pool their shares through a co-operative or mutual, to have a say in how profits are allocated and the business is run, and which would have to be consulted before planning applications for new energy projects were approved.

The Bill would require new energy generation companies to offer a proportion of shares for purchase by residents in local communities; to provide that residents in local communities have the right to invest in ownership of local electricity distribution grids; to establish an agency called Community Power Direct to advise local communities on matters relating to energy generation; to require local planning authorities to consult Community Power Direct when considering planning applications involving energy generation; and for connected purposes.

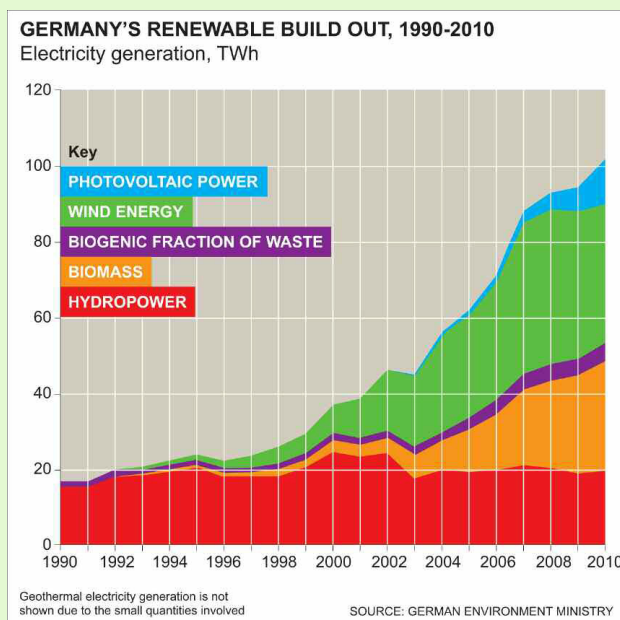
Each company that owns the local electricity grid (this is the electricity distribution network below the grid supply point) has a distribution license which only gets surrendered when the company sells it or goes bankrupt in exceptional circumstances. The Bill would create a right of first refusal for local communities to take over the ownership of the grid in their area if and when the grid is put up for sale by its then owners. It would also introduce a licensing process for new "infill" grid networks (for example where a major new housing development requires new grid infrastructure). Ofgem would be tasked with licensing the new grid infrastructure and again the local community would be given a right to tender for the licence to run the grid.

Case Study

Germany – Empowering the people

Since 1990, German citizens have had a legal right to be producers and suppliers of electricity to their grid system. Two-way meters are a given, not an experiment. German households expect to know how much energy they produce as well as how much they consume. While Britain still plods through a tortuous debate about ‘trials’ of two-way meters, the Germans have been using them to transform energy politics. The right to generate became the power to transform. It also provided the platform for constructing a more open, democratic and sustainable energy market.

Germany’s big step-change came in the early 2000s, when the government introduced a system of preferential Feed-in-Tariffs (FITs). These tariffs paid people more for the ‘clean’ energy they produced than the cost of energy they consumed from the grid. In all cases, FITs payment rates decline over time. Ultimately, each technology must ‘wash its own face’ economically; becoming market competitive or being displaced by something that is.



On anyone’s terms, Germany’s renewable energy programme has been astonishing.

The graph above only paints a partial picture. It does not show how, in less than a decade, Germany’s FITs programme has:

- I delivered over 400,000 new jobs
- I transformed an energy sector, that once had only four major suppliers, into one with over two million contributors
- I brought in over €30 billion of private investment a year
- I delivered lower German power prices than they had five years ago, and I operated without public subsidy.

Started under the Social Democratic Party/Green administration and continued by Angela Merkel’s Christian Democrats, this is not a bad decade’s work, even by German standards. But the most telling statistics are in the ownership pattern of the renewable energy investment.

At the same time, it is estimated that there are currently close to 5.4 million people in Britain (1 in 5 households) who are officially classed as ‘fuel poor’ – which the government describes as those households having to spend over 10% of their annual income in order to heat their home

Co-operative and Community Energy

We are fully aware that the geopolitical landscape requires us to reduce our reliance on foreign reserves. Experts have a tendency to see solutions to fuel poverty, energy security and climate change as competing, conflicting and irresolvable. Yet a movement towards communities collectively owning their own energy has the potential to meet all three of these challenges head on.

Evidence from pioneering energy markets, such as California, Denmark or Sweden, suggests that renewable technologies are best deployed where policies and measures are directed at bringing together communities of households and businesses. In the UK there are also a growing number of instances where co-operative energy schemes have provided the scope for engagement, genuine community benefit and economic participation.

The 'Collective Power' model which the Co-operative Party has advocated since 2009 allows residents, local businesses and public sector organisations to come together to save money and help tackle the threat of climate change through collectively pooling their purchasing power. Banding together in this way, energy co-operatives are able to purchase their own energy on the wholesale markets and negotiate affordable deals for state of the art smart metering technology. This should allow households to realise savings of 10% - 20% on average on their bills. The Co-operative Party welcomes the emergence of Midlands' 'Co-operative Energy'. This is an excellent example of how collective consumer action can make a difference within the highly monopolistic energy market and create fairer ways for communities to pay for their energy.

The Co-operative Party endorses the manifesto produced by the Community Energy Coalition. The coalition's recommendations were:

1. Provide leadership - Commit to a dramatic increase in CCE with national targets - Recognise its potential in meeting UK energy goals, by saving energy and creating a secure, clean and affordable heat and electricity supply. Promote the community approach to energy - Create a national campaign for community ownership as the route to increased community engagement and acceptance. Create a Director-level lead for community energy within the Department of Energy and Climate Change - This Director should be responsible for ensuring that all energy policy is appropriate and supportive of the community approach and representing it across Departments.
2. Give communities a clear pathway to success - Make a clearly defined offer - Set out the process by which government and its agencies will work with CCE schemes, as they are created, through the planning process and once they are established. Introduce co-ordinated advice and support services - Endorsed and funded by government but run by independent experts covering energy efficiency and renewables. Introduce a financial framework - Including a preferential Feed-in Tariff and Renewable Heat Incentive for CCE schemes, investor tax breaks, access to finance through the Green Investment Bank, and consideration of impact and investigation of support mechanisms as part of Electricity Market Reform.
3. Support innovation - Develop Green Deal community models The Government should work with CCE organisations to develop and promote models for Green Deal delivery and finance at the community level. Involve local authorities - Using a pilot programme initially,

to develop models of co-operation between local authorities and CCE organisations.
Encourage partnership with commercial energy developers - Investigate ways of incentivising energy project developers to work with CCE organisations.

Local authorities should be encouraged to view the offer of community ownership as a benefit in terms of planning consent. This would reduce the upfront costs of development for community energy groups. It would also have the knock on benefit of encouraging developers to offer local communities a share or part-ownership of schemes in return for a fast-track planning process.

It is necessary for the Government to take a lead in making this happen, acting as a supporter, cheerleader and facilitator. While Governments cannot create social movements; through their help and encouragement they can make significant contribution to providing the frame work to enable them to flourish.

During David Cameron's first 18 months as Opposition Leader, Conservative-led authorities turned down 80 per cent of planning applications for wind farms. These planning problems remain despite new planning guidance from Government. The Coalition Government have not ensured the establishment of energy co-operatives are protected against ideological opposition. The Co-operative Party welcomed many aspects of the 2014 DECC produced 'Community Energy Strategy'. It was concerning that Ministers did not take the opportunity within the Energy Act 2103 to ensure the strategy was underpinned by primary legislation. The Co-operative Party and partners critique the strategy in the below important areas:

- It failed to level the playing field between CORE (Community Owned Renewable Energy) projects and private energy companies.
- It failed to establish national targets needed to support prioritisation of CORE projects and provide renewable energy investors with the long term confidence needed to invest in the sector;
- It failed to unlock meaningful local or national government funding to promote the development of new CORE projects;
- It failed to address the need to open the market at a community level for direct supply of energy to consumers
- It didn't do enough to support capacity building and the development of a pipeline of investment ready communities and community energy projects. The peer mentoring programme adds value but programme design reduces potential impact
- It didn't do enough to open the market for debt finance for community energy projects, essential if community renewables projects are to grow at the speed required to make a substantive impact on UK's response to climate change and energy security
- It left, key decisions around regulatory change in the hands of working groups whose ability to punch through the inertia generated by those wishing to retain the status quo remains unclear.
- It failed creating a status for community energy within the planning system.
- It failed to address the development of financially viable delivery models for community led energy efficiency or community renewable heat projects.
- If failed to resolve local authority procurement frameworks that currently exclude

community organisations from tendering for contracts.

- It failed to redefine Community Energy by its values rather than by its size, thereby inherently limiting the potential of Community Energy.

Energy Efficiency

The efficient use of energy is a crucial endeavour in the reduction of our carbon footprint and lowering energy bills for communities across the UK. Energy saving is vital:

- To the UK's future energy security;
- In reducing the ever rising energy bills of homeowners and occupants;
- And in reducing our damaging impact on the climate.

Savings of 60% or more can be achieved at modest cost by using simple, established technologies as well as creating work for trusted, local tradespeople. The Co-operative Party was proud to support the work of the Energy Saving Co-operative. The co-operative aimed to demystify the delivery of energy saving improvements to homes and community buildings by creating a one-stop-shop for advice, installation and fair finance. This multi-stakeholder co-operative looked to encourage the widest possible membership and, in addition to social, environmental and community benefits.

The Co-operative Party regrets that this co-operative was not able to continue trading, further evidence of the failure of the current government's energy policy which let it down.

While co-operatives are founded on a principle of self-reliance; like any business, co-ops must attract investment capital to become successfully established. Co-operative backers need to be confident of a fertile and predicable market – however patient their capital.

The Energy Saving Co-operative's Board decision was largely driven by the UK Government's dramatic relaxation of the 'Big Six' Energy Company Obligation (ECO) in the Autumn Statement on 5 December.

A Government that follows a an overnight [halving](#) of the solar Feed-in-Tariff (FiT), with a poorly designed and implemented Green Deal to replace previous carbon emissions reduction and energy saving schemes (CERT and CESP) – and then chooses not to enforce the Energy Company Obligation (ECO) funding requirement – does not create the necessary fertile environment for sustainable innovation. The next Government will first need to restore trust in energy saving.

How to drive the next generation of community energy

Establishing a new generation of energy co-operatives will require a range of start-up support mechanisms. An example of this help can be found within Labour run Wales who made over £8million available to help community organisations invest in new technology to generate clean, renewable energy. The Community Scale Renewable Energy Generation project will provide finance of £100k to £300k per project to support the development of community based renewable energy schemes such as wind, biomass and hydro power. Around 135 small grants of up to £3,000 will be available to help communities to undertake feasibility studies into potential renewable energy schemes followed by 35 grants of up to £20,000 to help them develop their projects.

Other support should include business planning, energy market, community engagement and legal support. Government action is urgently needed to join up departmental expertise and thinking on community driven renewable energy. We suggest that the Government create a community energy and climate change unit, based on the successful Supporters Direct model. The core functions of the unit would be to:

- act as a delivery agent to join up the various departmental interests around community energy and climate change solutions;
- actively engage with existing expertise on local level renewable energy and climate change solutions (including research and practical experience) to identify development opportunities and avoid duplication of effort;
- provide a support hub for the various development needs of community-based energy and climate change solutions, including advice on legal structures, financial assistance, business planning and the regulatory framework;
- encourage the development of local level organisations that not only deliver affordable clean energy but provide a route through which communities can take action on energy use reduction and the collective purchasing of energy saving products.

This new unit should be a mutual in structure, owned and controlled by energy co-operatives, perhaps with stakeholders from central and local government, key delivery agents (such as financial, planning and legal professionals), industry specialists (such as the designers and developers of technology e.g. wind turbines), local groups and enterprises and employees of the unit itself.

Further recommendations on the future of co-operative and community energy will be published during the summer of 2014 by the Co-operative Party and SERA.

Environment, Rural communities and Local Food

The Co-operative Party is committed to tackling rural social exclusion and economic under performance. Looking beyond the traditional boundaries of the private and public sectors, there is a growing recognition of the potential role of mutuals in helping deliver a society that is both entrepreneurial and socially inclusive.

The decline in the availability of rural services has been well documented, with pubs, shops and other services closing at a faster rate than ever before. Rural co-operatives and social enterprises, such as community-owned rural shops or post offices, are often the only viable alternative for rural communities looking to retain or re-introduce a service in areas of private or public market failure. In many rural areas mutual social enterprises are filling the void left by retreating public and private sector providers, and offer the best available solution to social exclusion and service access problems.

Rural Communities - Community Shops

Community-owned village shops continue to be one of the leading success stories of the UK co-operative and social enterprise movement. In 1993 there were just 23 community-owned shops; 20 years on there are over 300. Community shops are resilient, indeed no community shops

closed in 2012, in stark contrast to what was happening on the high street as a whole.

In fact, since community shop records began in 1992, only 13 community shops are known to have ever closed, indicating a long term survival rate of 96% for community shops. This compares extremely positively with estimations for UK businesses which have an estimated 5 year survival rate of 45%².

Figures from 2013 show that Community shops employed 945 staff, had 7,796 volunteers and contained 51,510 members.

According to the Plunkett Foundation³ there are five key reasons why community shops can succeed where commercial ventures have not:

1. The community usually demonstrates greater support to a venture in which they have an economic and social interest, and in the knowledge that there is no single individual that is profiteering from the venture.
2. Staff costs can be reduced by volunteer involvement a typical community shop will have around 31 volunteers working between 2-4hours a week.
3. The difficulties of finding and affording suitable premises can be overcome by co-locating within existing community building such as the village hall, pub or church building. Often the ownership or long term lease of premises is covered by funds raised from grant sources or from shares or loans from within the community.
4. Community shops can take advantage of rate relief for small rural businesses and can apply for favourable tax conditions with HMRC. 93% of shops, for example, receive discretionary rate relief.
5. As member owned organisations, community shops are more likely to listen to and respond to the needs of their members and of their wider community. They are therefore more likely to stock and sell products and services that their customers want. As membership organisations, they are also able to purchase collaboratively through the Plunkett Community Shop Network saving valuable time and money.

Rural Connectivity

Transport

Community transport plays a critical role in social inclusion around the country. There are numerous social enterprises, mutuals and co-operatives which are functioning well providing vital transport. Indeed there are also positive examples of Co-operative Retail Societies becoming involved with the delivery of this transport. An example of this can be seen within the 2 year partnership between Halesworth Area Community Transport (HACT) and Anglia Co-operative. This agreement sees the Society help fund a particular bus route and help develop the marketing offer of the community transport organisation as well as opening learning opportunities using the societies bee hives. Examples such as HACT show that community transport can be the glue which binds our communities together and the sector can rightly be proud of the way its values and principles

2 Office for National Statistics

3 <http://www.plunkett.co.uk/>

are demonstrated and put in to practice within this sector.

Rural Broadband

Broadband provision is important to the economic development of rural areas and aids to development of localised employment opportunities. It opens rural business to global opportunities. The Co-operative Party is committed to tackling the digital divide. Current policy has seen £20million being allocated to bridging the divide, however through poor leadership and direction much of this has gone unspent. The Co-operative Party believes that there is great scope for community led initiatives to take the lead and deliver this much needed digital uplift.

For many there is no hope of getting 'superfast' broadband so B4RN is doing it from themselves. This is not a large private utility company from 'outside' doing it, it is local communities in rural Lancashire.

Case Study

B4RN (Broadband for the Rural North)

The aim of this project is to build a community-owned gigabit Fibre To The Home (FTTH) network in the scarcely populated, deeply rural uplands of Lancashire in the north west of England utilising the skills, time, energy and ingenuity of the local residents and businesses. This project is backed with a share issue for a not-for-profit company properly registered and regulated with the Financial Conduct Authority under the Industrial and Provident Societies Act 1965 using the community benefit option. B4RN is a community fibre network offering fibre to every home providing 1000 megabit (1 gigabit) futureproof connection for £30 a month. You do not have to buy shares to get a connection, but the more people who invest in this network the faster it will be built with the available funds.

Local Food

Much of the produce that is available to consumers has travelled unnecessary distances to the point of sale, driving up costs, impacting negatively on the environment and threatening the livelihood of small-scale producers. Co-operative and social enterprises are also at the forefront of the development of robust and sustainable food systems, an alternative to the global supply model.

Other co-operative alternatives include farmers markets, which are enabling producers to sell direct to consumers, taking back their role in the supply chain. Councils should recognise the achievements of these local food systems and further support their development. Wherever possible, local production should be encouraged through additional financial support for farmers that demonstrate high standards of environmental stewardship.

Co-operative Allotments

Based on figures from 2012 it could take 100 years for supply of allotments to meet demand.

Case Study

Thames Valley Farmers' Market Co-operative

The co-operative exists to manage and promote Farmers' Markets, enabling farmers and small producers to sell their produce directly. They began operating in the Thames Valley area in 1999. Since then their markets have flourished and they now operate in 14 towns.

Buying at farmers' markets helps to support local farmers and producers. There are no middlemen involved, and no profits for supermarkets and their shareholders.

The funds that they raise through membership fees and stall fees are ploughed back into the co-operative. All the producers at their markets are voting members of the co-operative who can share in the way the co-operative is run.

Some of the worst-affected areas include Camden in northwest London, where 945 people are waiting for 195 plots, and in Islington, north London, where 259 people are waiting for 60 plots

Allotments are a communal activity which is well suited to the co-operative model, indeed there are many allotments which are already run as co-operatives or with co-operative principles. For example The Eastleigh and District Allotments Association has a membership of about 700 people. They include plot holders in and around the Eastleigh area together with non-plot holding trading members.

There should be renewed Government focus of ensuring that local authorities comply with a statutory duty to convert appropriate unused land into allotments.

Co-operative Farming

Individual farms are small relative to other businesses in their value chains. Joining forces enables farmers to realise all the economic and market advantages that are beyond the reach of individuals.

Agricultural co-operatives are member-owned democratic organisations and the board should promote the growth and development of their membership and encourage members to actively participate in their governance. For example the Scottish Agriculture Organisation Society has a strong code of conduct for agriculture co-operatives including the below important recommendations:

- Agricultural co-operatives should use the AGM, interim meetings, and other opportunities and methods to communicate with members and encourage them to exercise their democratic rights and their active participation.
- Every agricultural co-operative should be headed by an effective board which is accountable, based on a mutual understanding of its objectives, to its membership and is collectively responsible for the long-term success of the business.

These organisations increase the resilience and sustainability of Scottish agriculture through farm co-operation and co-ops, leading to growth in output and additional value. Co-ops generate the value and profitability necessary for growth by enabling farmers to participate fully and effectively

in supply chains with cost competitive production in the volumes and specification required by their customers

As well as investment by farmers over the generations, the Scottish Government and Scottish administrations have been strong supporters of farmers' co-ops through the provision of capital grants and through support for the agricultural co-op specialist development services of SAOS. The Co-operative believes this is a strong model for the promotion and development of co-operative agriculture. Another example of this work can be seen within the below case study.

Case study

Tumblers Patch

A small co-operative of organic enthusiasts rearing pigs collectively for their own consumption. The group recognised themselves as a co-operative farming venture through an informal agreement. One member took on the responsibility of organising the scheme but all shared equally the daily check and feeding. None of the members had ever kept pigs but they drew on their collective knowledge of organic food production. The scheme has operated for one year rearing nine pigs on a 0.25ha plot. The £1,000 cost, excluding members' time, works out at approximately £1.58 per kilogramme of meat. Tim Baines, the co-op organiser, said "Members really felt that they were taking responsibility for their food production, especially those who accompanied the pigs on their final journey to the abattoir."

Tumblers Patch, a 2ha holding, could support 10 pigs. The BOG carnivores drew up an estimated budget to purchase, feed, slaughter and butcher the pigs. This endeavour increased the co-operatives knowledge of animal rearing, kept funds within their community and allowed them to achieve significant savings.

Case Study

Anglia Farmers

Anglia Farmers was formed in January 2003 as a result of the merger of two long established Norfolk based buying groups. Both organizations started over 40 years ago and grew out of a desire from farmers to buy together on the best possible terms.

Determined co-operation between its members – of which there are more than 1,500 full and 700 associate members – has propelled Anglia Farmers to become the UK's largest agricultural purchasing group in just four years. As such it has considerable buying power and attracts extremely keen prices on behalf of its members for a wide range of farm inputs, services and ancillary items.

The co-operative has an asset base of £1.4 million and operates across East Anglia, The Midlands and Scotland. It is also one of the organizers of the increasingly popular annual Norfolk Farming Conference.

Anglia Farmers' vision is to be the best, not just the largest, agricultural purchasing business in the UK. With that purpose, it still follows the traditional business model of a buying group – total transparency, extension to the farm office, purchasing against a firm order – but has moved the whole experience to a highly professional service.

By being a large, successful agricultural co-operative, Anglia Farmers enables its members to maintain their livelihood in an incredibly competitive market.

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