



the next generation

supporting a revolution in
community owned renewable energy

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the co-operative party
politics for people

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This is an important and exciting time for energy policy in the UK.

Since the initial creation of a national grid in the 1930s we have based our energy system around the notion of large, out-of-town power stations creating electricity which we then transport into our homes and businesses via an expansive network of wires and cabling. But developments including renewable energy, decentralised generation in our homes, and the deployment of smart meters and grids - mean all of this is changing.



Labour is committed to the UK's transition to a low carbon future. Not only is this essential to meet our climate change commitments but, done correctly, we believe it represents an enormous opportunity for the UK to secure our future wealth and prosperity. That is why, alongside our reforms of the energy market in the UK to bring about much needed transparency and better regulation, we are committed to legislating for a 2030 decarbonisation target for our electricity sector, to support the mass rollout of smart meters, and to continue the deployment of renewable and low carbon heating.

The question posed in this pamphlet is what contribution could community energy play in that future, and what are the policy tools needed to make that happen? We certainly believe community energy has a role to play, and I am impressed by the community energy schemes I have visited over the last year. Engaging more people in the creation of energy, and diversifying the ownership and management of new renewable energy projects, has yielded significant results in other countries. We believe the UK could also enjoy the benefits created by the spread of community energy schemes.

The chapters in this pamphlet do not represent Labour Party policy but build on the Power Book published by Labour in 2012 and is an important contribution to a more open and diverse energy debate which we hope will stimulate new ideas and thinking. I am particularly grateful to the Co-operative Party and to SERA for their support in making it happen. As a Labour and Co-Operative MP myself, I certainly believe this is an important policy area for the ongoing spread of the Co-operative Party's aims and values. I hope you agree and wish to be part of this debate.

Jonathan Reynolds MP

Shadow Minister for Energy and Climate Change

About the authors

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Agamemnon is experienced in providing finance solutions for the energy sector including business development, management and operations. He is a director and project manager for Brixton Energy Solar 1, Solar 2 & solar 3. He has previously been Director of Renewable Energy Project Finance and Social Responsibility at Better World Finance and the CFO of Energy Bank Ltd. UK Department for Energy and Climate Change Community Energy Contact group.



A speaker on sustainable low carbon economies, Agamemnon has a Master's degree in Architecture in Advanced Environment & Energy and a Baccalaureate in pre-medicine, Literature and Fine Arts.

Afsheen Kabir Rashid

Afsheen is a community energy specialist, having several years experience developing and co-producing community-led projects to address energy related issues. Afsheen is a Co-founder Director of Repowering London, Chairs Brixton Energy Solar 1, Solar 2 and Solar 3 and also works part time at the Department of Energy and Climate Change as the Community Energy Programme Manager. Afsheen pioneered and developed Lambeth Council's community energy programme.



She also managed the Mayor's Low Carbon Zone programme in Brixton driving carbon reduction by 12% over a two year period. Afsheen was instrumental in setting up the Muslim Women's Collective in Tower Hamlets that seeks to empower women to play an active role in improving the environment. Afsheen has a MA in Geography and MEnv in Environment, Science and Society.

Introduction

With the cost of living crisis currently gripping the UK, consumers are increasingly unable to shield themselves from rising energy costs. There is a growing disparity between the daily struggle to keep homes warm and lit and the huge increase in profits per customer being realised by the Big Six.

Leasing our national energy assets to private companies has seen a stabilisation of energy demand and regulation of price but this has come at a significant social and environmental cost.

A system has been created that is run by multinational corporations who are not responsible to communities but to shareholders who do not necessarily reside in the nation and sole aims are fiduciary. A great proportion of the profits leave not only the local area where work is done or where bills are paid, but also the UK. This approach to meeting the UK's energy needs, with its predominant dependency on fossil fuels and foreign investment, is not only destabilising the climate, but also local prospects for employment and investment.

If we wish to create a future Britain where citizens across the UK have access to jobs, training opportunities, prosperity and social well-being, we urgently need an alternative model. Community energy is a movement rooted in capturing social, financial and environmental returns for local people. With the right support, community owned renewable energy projects can offer a truly viable alternative to the Big Six.

Karin Christiansen

General Secretary, the Co-operative Party

Melanie Smallman

Co-Chair, SERA: Labour's Environment Campaign



Executive summary

Access to affordable energy is one of the essential elements needed to support modern day life.

Over the last decade, price rises in domestic energy bills have tipped many into fuel poverty; with the added inequality the poorest in society are paying the most¹ for their energy. Increased energy bills are stifling both individuals and businesses. According to a recent survey², last winter, one-in-four families had to choose food over heating, thanks to spiralling energy bills. Official DECC predictions on rising energy costs suggest the number of households suffering fuel poverty could rise to nine million(!) by 2016, affecting one in three households across the UK.

Multinational corporations run the system that provides for the majority of our energy needs with responsibilities not to the communities that depend on the energy but to maximizing shareholder return. This coupled with dependency on foreign energy sources raises issues of national security. In 2011, the UK spent over £4billion on gas imported from Qatar. We also import gas from Egypt, Algeria, Yemen, Trinidad & Tobago and Iran³.

Particularly given the latest floods and frequency of natural disasters our impact of global climate must be addressed by what energy source we are using to supply our citizens. Given the inequity of the present system, this raises a fundamental question that the Labour Party has an opportunity to address in its next manifesto, namely:

“What role should community owned renewable energy play in the provision of Britain’s future energy supply?”

It is our view that Community Owned Renewable Energy can play a pivotal role in improving Britain’s energy security, addressing fuel poverty whilst also harnessing local leadership and providing training and jobs for local residents.

This paper highlights the value of community owned renewable energy projects, the current barriers to their success and the requisite national and local governmental support and policy changes that will enable a community owned renewable energy revolution.

1 Age UK estimate that fuel poverty costs the NHS more than £1.3 billion a year and around 30% of the 30,000 excess winter deaths can be ascribed to fuel poverty.”

<http://www.nesta.org.uk/blog/fuel-poverty-%E2%80%93-time-new-approach>

2 <http://www.energybillrevolution.org/media/1-in-4-families-forced-to-choose-between-heating-and-eating/>

3 Greenpeace UK, ‘Where do we get our gas – and how much comes from Qatar?’, November 2012:

<http://www.greenpeace.org.uk/newsdesk/energy/data/where-do-we-get-our-gas>

Summary of recommendations

1 Lack of national targets stifling local governmental support for community-owned renewable energy projects

Establish national targets for community energy

Long-term (20-25 year) national targets with interim milestones to include a percentage of the nations energy supply and CO2 reductions to be achieved via Community-owned renewable energy projects.

Outcome

Alignment of national and local priorities that allows community-owned renewable energy revolution to flourish

3 Direct supply of community owned renewable, low carbon energy to residents

Enable projects to supply directly to communities

- Pilot the direct supply of community owned renewable energy to local residents.
- An investigation into the sluggishness of the license-lite process and its development to support community energy
- Create a 'license local'
- Investigate the possibility of exemptions in the electrical contestable supply rules

Outcomes

- Healthier energy supply market that will help drive prices down

2 Community-owned renewable energy projects operate at a significant commercial disadvantage

Level the playing field to enable the Big 60 Thousand

- Define community-owned renewable energy projects by motivation rather than size
- Introduce a Community-Feed-in Tariff (C-FIT) and Community Renewable Heat Incentive (C-RHI)
- Mandatory purchase of renewable energy from community-owned renewable energy projects post 2017
- Encourage growth of market through the provision of bridging loans by Green Investment Bank
- Alignment of HMRC policy and the community energy strategy
- Enable community buy-in as a proportion of any large scale renewable energy initiative
- Implement properly funded and well designed peer mentoring programmes.
- Support training for communities on engaging with the energy market.
- Support the development of a regulatory body that oversees shareoffers with a quality mark

Outcomes

Community-owned renewable energy revolution flourishes with a strong local economy providing jobs for local people and the creation of energy resilient communities.

4 Lack of seed funding and development support

Use existing levies to create a national community-owned renewable energy fund administered at the local level

- Allocation of Section 106 and Community Infrastructure Levy (CIL) and development of Allowable Solutions to finance community energy.
- Integrate energy efficiency programmes such as Energy Companies Obligation (ECO) with community-owned renewable energy projects.
- Establish a National Community-owned renewable energy fund

Outcomes

- Development of a strong and mature community energy sector
- Rapid development of community-owned renewable energy projects across the Nation

5 Lack of strong, stable and effective energy policy

Create strong, stable and effective energy policy

- Establish clear long term and short term goals for energy policy
- Put political weight behind a stable and positively framed FIT, RHI and ROCs system that reassures investors
- Create clear, transparent and well funded approach to delivering energy efficiency improvements.
- Maintain and extend tax relief currently available to investors in community-owned renewable energy projects.
- Standardised national energy policy incentive packages

Outcomes

- Energy security
- Investor confidence in renewables
- Large scale deployment of community-owned renewable energy projects

6 Lack of financial sustainable community energy efficiency delivery models

Developing the community energy efficiency sector

- Develop viable delivery models based on existing learning
- Offer a carbon uplift within ECO programmes that embed community energy
- Prioritise community led behaviour change programmes via pilots, research and funding

Outcomes

- Address fuel poverty
- Encourage behaviour change
- Reduced energy demand

Why community owned renewable energy?

Definition: Renewable energy that is generated by the community, for the community, in accordance with cooperative principles to ensure that communities realise the full financial, environmental and social benefits derived from energy generation and reduced energy consumption.

Community energy offers an opportunity for citizens to challenge their assumptions about energy. It encourages individuals to take greater control of their energy supply and get involved with process of demand reduction and improving energy efficiency. Community energy projects have repeatedly demonstrated they have the potential to do this by creating a sense of collective purpose and focusing communities on the delivery of a common goal.

Reasons why people get involved in community energy projects:

- "I see 'people like me' involved."
- "I keep hearing about the project through different local routes, it stops being unusual and becomes 'what happens around here'"
- "I trust the people delivering the projects, I see them around, they are local"
- "I can see tangible benefits for my local area"
- "I can see tangible benefits for me"
- "I can see my money going to something I believe in"
- "I can see where my money is invested"

Ref: Adapted from 'What is Community Energy and Why Does it Matter?'
published by Community Energy England May 2014

This sense of collective purpose can help to normalise the adoption of energy efficient behaviours and facilitate demand reduction. If successful, community energy can also help to underpin the more rapid role out of a decentralised energy supply system by giving local people a stake in the outcome.



To create a thriving community energy culture the national government needs to recognise the above potential and facilitate it by supporting its citizens.

Benefits of community owned renewable energy

The community energy movement provides energy security through clean renewable energy, whilst also delivering a wide range of social, financial and environmental benefits:

- Tackling fuel poverty
- Providing local jobs and training opportunities
- Fuelling economic growth
- Providing opportunities for responsible investment
- Promoting local leadership
- Increasing security of energy supplies
- Reducing carbon emissions
- Increased engagement with consumers

Where have we come from?

Past support

The development of community owned renewable energy projects to date across the UK has been made possible due to the opportunities created by the national and local policies listed below:

- Guaranteed financial support through the Feed-in Tariff (FIT), the Renewable Heat Incentive (RHI), and to some extent the Renewables Obligation (RO) has made community energy projects financially viable.
- Tax relief through the EIS and SEIS schemes have helped make community share offers more financially attractive enabling large funds to be raised through the local community.
- Significant funding for community energy provided in Scotland via the Climate Challenge Fund and the Community Action and Renewable Energy Scheme (CARES), and the Ynni'r Fro scheme in Wales, together with the new Welsh CEDF scheme. Seed funding and mentoring in Wales has been provided by Renew Wales.
- Community projects in England have benefited from seed funding made available through national grants such as the Local Energy Assessment Fund and Big Lottery, together with the Co-operative Enterprise Hub.
- The role of intermediary development organisations such as Shareenergy, Energy4All, Repowering and Community Energy Scotland, Low Carbon Hub, etc. have been vital in developing the community energy market.
- Legislation such as the Carbon Emissions Reduction Target (CERT) requiring energy companies to reduce their carbon emissions in the household sector through energy efficiency improvements has resulted in the provision of free insulation programmes. (CERT is now officially closed and has been replaced by ECO and Green Deal.)
- Support provided by Local Authorities like the London Borough of Lambeth, Bristol City Council, Bath & North East Somerset and a few others.

The Coalition Government's Community Energy Strategy 2014

The Coalition Government has recognised the role that community owned renewable energy projects can play with its publication of the Community Energy Strategy in January 2014, which included the following provisions:

- Creation of a Community Energy Unit in DECC, with accountable officer to liaise with community energy practitioners;
- Creation of an online project guidance and advice centre to provide support for fledgling community owned renewable energy projects;
- Letters sent to Local Authorities and schools from Secretary of State for Energy and Climate Change encouraging them to support community owned renewable energy projects;
- Acknowledged the potential scale and role of community energy projects, in particular by identifying the potential growth of community renewable electricity projects to 3GW by 2020.
- Recognition of potential community energy scale by announcing plans to move the Feed in Tariff threshold from 5MW to 10MW
- Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS) retained for community renewable electricity projects.
- Commitment to addressing key regulatory issues through Secretary of State led working groups on planning, grid, hydro & financing
- Commitment to creating a market for shared ownership schemes through community-renewable energy industry task force, with fall back of legislation if voluntary code establishing a community 'right to buy in' doesn't work
- Launch of a £500,000 Cabinet Office/DECC peer mentoring programme
- Announced plans to launch a £10m Urban Community Energy Fund to provide development finance for community energy generation projects in England to run alongside the existing Rural Community Energy Fund

Failures

Whilst this strategy made a number of welcome recommendations, creating a positive first step towards building the community energy sector and received support from community owned renewable energy practitioners, it ultimately fell short of what is required in a number of crucial areas, notably:

- It failed to level the playing field between community owned renewable energy projects and private energy companies.
- It failed to establish national targets needed to support prioritisation of community owned renewable energy 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 community owned renewable energy 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 to create 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.
- It 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.

In failing to recognize the above, the Coalition strategy ultimately lacked the necessary provisions to ensure that community owned renewable energy projects can receive the appropriate level of governmental support. Without this, it is harder to create a culture of confidence in our citizens in which the benefits of community owned renewable energy projects are fully known and where people are keen to be involved

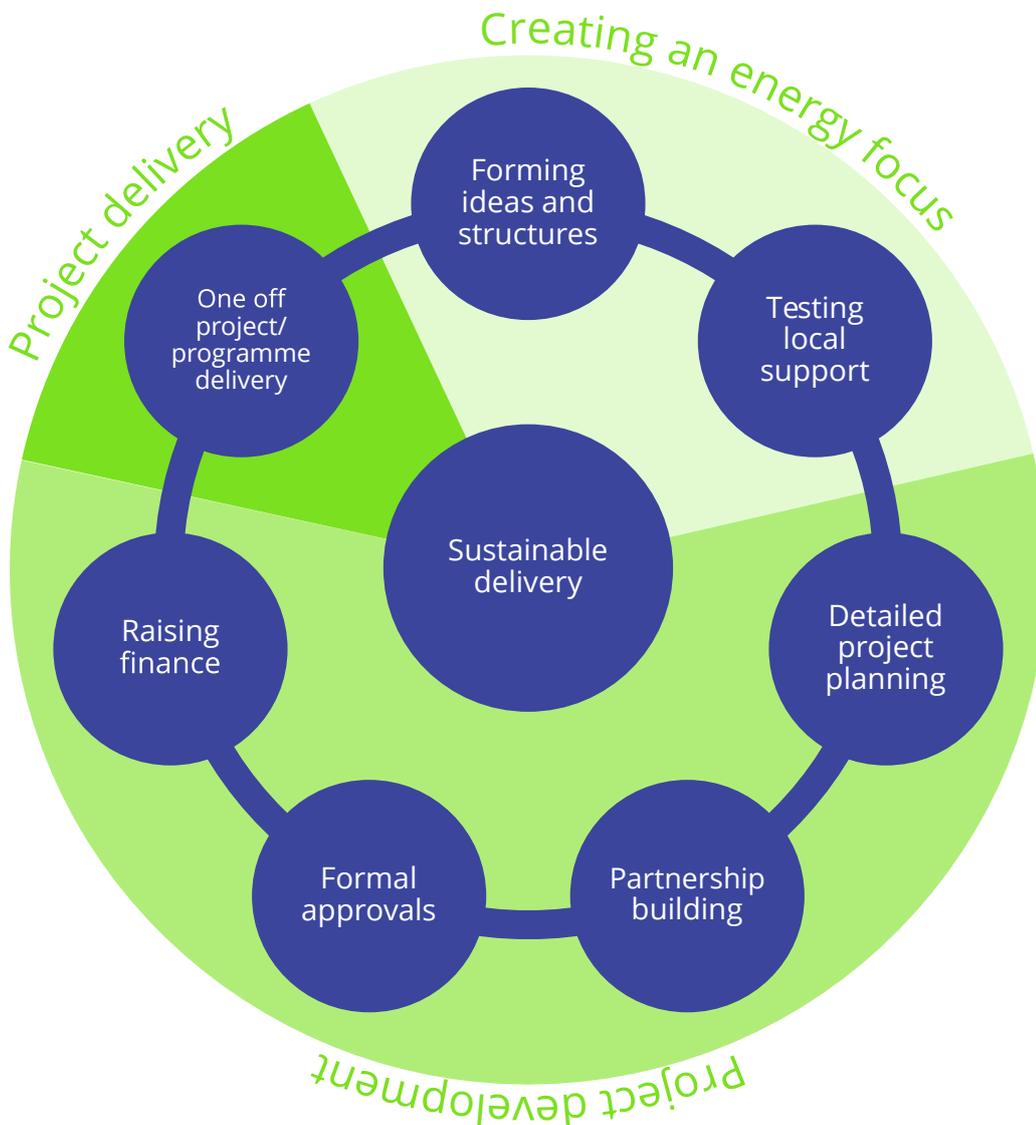


Community energy in practice

Community energy projects (whether energy efficiency or renewable energy) tend to go through three distinct phases as outlined below, from thinking that energy might be an issue worth exploring through to delivering a long term sustainable programme of action.⁴

Energy project lifecycle

The report this is drawn from emphasises that this is not a linear process and will vary from project to project, with communities starting at different places in the process and doing steps in a different order depending on where they are and what they want to achieve.



⁴ Ref: P. Capener, May 2013, Understanding and Supporting Community Energy Project Lifecycles, for DECC

As outlined in the report (with more detail on the steps) the three main phases can be summarised as:

1. Creating an Energy Focus

Increasing the number of communities with the commitment, enthusiasm and confidence to engage with community energy projects. The key challenge for this stage is to draw communities into a dialogue around energy in a way that gives them the confidence and clarity of purpose/direction that encourages them to give it a go, as opposed to doing something totally different.

2. Project Development

Increasing the number of viable, funded community energy projects. The key challenge for this stage is to enable communities to chart a path through a potentially complex maze (depending on the type of outcome sought) in way that engages the whole community, builds productive partnerships, lays the foundation for long term dialogue and doesn't grind volunteers down and leave them feeling disillusioned and disempowered.

3. Project Delivery

Increasing the contribution of community energy to the UK's response to climate change and energy security. The key challenge at this stage for communities are to be able to deal with operational and delivery issues with an attention to detail and rigour that limits potential liabilities, maximises community benefits and positive outcomes and nurtures sustainable delivery models.

Case studies

The case studies on the following pages provide clear examples of how community owned renewable energy projects can make a real difference to the local community by ensuring benefits are realised locally, as opposed to simply offering a financial return to private shareholders.



Case Study 1 **Brixton Energy Solar 3 Co-operative**

An inner city solar energy project

BES3 was established as co-operative in January 2013 with the support of Repowering London, Lambeth Council and local residents living on the Roupell Park Estate. The capital funds were raised through a community share offer with a total 81 shareholders, mostly from the London Borough of Lambeth. 20% of the investors came from the Roupell Park Estate including the Roupell Park Estate Resident Management Co-operative.

Income is generated from the sale of electricity to the grid, which is used to repay shareholders an average annual return of 4% on their investment, and 20% of annual revenue is allocated to a community fund administered by members of the co-op.

Achievements:

Environmental

- 50 kWh solar PV array installed
- 37,500 kWh generated p.a. (750,000 kWh lifetime)
- 20 tCO₂ per annum, (400 tonnes over 20 year period)
- Delivered 10 Home energy audits and 5 EPC's

Social

- 11 paid work experience placements and 8 internships
- 60 residents directly engaged with wider outreach to over 2,000 residents
- 4 local young people trained as Energy Efficiency advisors and draught busters

Financial

- Raised £64,000 through community share offer
- £14,500 to community fund
- Projected saving to TMO energy bill £8,000

Strengths

- Inclusion of local people into all aspects of the project from development to delivery and ongoing management
- Providing internships, training and work experience for local young people and residents living in some of the most deprived areas of London.
- Ring fenced community fund to help local people to reduce their energy bills, local youth and vulnerable people through training and energy efficiency initiatives.
- The minimum investment for residents was set at a lower threshold of £50 allowing for inclusiveness and local ownership.

Challenges

- Low onsite usage as the model is limited to power communal areas reducing the income for the Co-op.
- Co-producing projects is a resource intensive process that needs consistent and dedicated staff time.
- Inability to supply locally generated and owned clean energy directly to residents in the social housing blocks.

Case Study 2 Woolhope Woodheat

Affordable heat and sustainable woodland management

Woolhope Woodheat is a community co-operative based in South Herefordshire. The co-op came together to install wood fuel boilers that supply heat at a reduced price to hard-to heat buildings. The boilers are powered with woodchip from local, sustainable woodlands – and the co-op works to bring neglected local woodland back into management.

The co-op was set up with a founding board of five volunteers who continue to drive the project, with ongoing financial and practical support from Sharenergy Co-operative. Founding directors were all local with a good range of skills in the farming sector, woodland management, business development and project management. It took around 3 years from the initial concept to launch the share offer with the install and registration for Renewable Heat Incentive taking nearly another year.

Achievements:

Woolhope Woodheat installed their first woodchip boiler in Canon Frome Court, a large housing association property.

Environmental

- 200kW of boiler installed to date
- 193 MWh to date. (est 5000 MWh lifetime)
- 70 tCO₂ per annum, (1400 tonnes over 20 year period)
- Local woodlands put back into management

Social

- Local employment created in woodland management
- 10 Woodland owners engaged
- 19 homes provided with heat

Financial

- Raised over £300,000 from 150 members in a community share offer
- Guaranteed saving on resident energy bills 20%

Strengths

- A real lower-carbon solution for hard-to-heat (and usually off gas grid) buildings
- Joined-up thinking which benefits the woodland, local people and reduces carbon emissions
- Good viability at the right site based on RHI and heat costs
- Taking renewable energy co-ops into the realm of heat – more UK energy goes on heat than electricity
- Based on established technology

Challenges

- A large amount of third party support from Sharenergy
- Hard to find suitable buildings where operators are ready to consider innovative solutions
- As a pioneering project it was hard work to raise the funds through share offers
- As the EIS tax relief is not available the project needs to provide a higher rate of return



Case study 3 **Wadebridge Renewable Energy Network (WREN)**

Insulation case study

WREN was established three years ago and is run by a team of 10 actively engaged volunteers and interns. WREN works to raise income from renewable generation for local projects, to help cut energy use (and fuel bills), and to bring the wider economic benefits that come the early adoption of the low carbon economy, including high value employment.

Building on from its successful solar PV programme WREN is working with Green Deal Cornwall offering zero cost loft and cavity wall insulation.

Achievements

Environmental

- 1500 rolls of insulation installed in 150 Households
- 70 tCO₂ per annum, (1400 tonnes over 20 year period)

Social

- 2 jobs created
- 250 owners engaged
- Over 1000 members actively engaged (about 20% of the adult population of Wadebridge)

Financial

- Reduced energy costs to residents through preferential Local electric tariff
- Resilience to energy price shocks through insulation.

Strengths

- WREN is an established local entity that is trusted by the local community
- Skills and expertise of the dedicated staff and volunteers
- Model based on providing practical community benefits
- Use of local currency

Challenges

- External factors such as the big six crashing the carbon price before the end of CERT
- Programme limited to certain postcodes

Case Study 4 **Tiree Renewable Energy Limited (TREL)**

Island based community energy project

Tiree Renewable Energy Ltd (TREL) is a 900kW wind turbine wholly owned subsidiary of the Tiree Community Development Trust. Since 2010 TREL has owned and operated the community wind turbine on behalf of the people of Tiree. All surplus revenue is donated to the Trust to finance community projects through the 'Windfall Fund'.

To date, a wide range of projects have been funded which support the Trust's sustainable development goals, based on the following themes; Business Development; Cultural Heritage; Health & Wellbeing and Quality of Life

Achievements

Environmental

- 900 kW wind turbine installed
- 3100 MWh generated p.a. (62 MWh lifetime)
- 1,300 tCO₂ per annum, (27,000 tonnes over 20 year period)

Social

- 7 permanent local jobs created
- Over 600 residents engaged

Financial

- Awarded 70 separate grants to community projects in 2011 and 2012 totaling £195,508
- £1 of grant awarded is forecast to support £4 of local economic activity.

Strengths

- Early community consultation and alignment of business plan with community development goals created a strong mandate
- The community funds have been successful in providing seed funding for business start up and community projects creating meaningful long term benefits.

Challenges

- Ability to leverage additional funds from a wide range of public and private sources
- Sensitivity of the local landscape and habitats had to be considered carefully
- Securing sufficient grid capacity for the project was also a challenge that had to be overcome.



Case Study 5 **Bath & West Community Energy**

Developing scale through strong local authority partnership and developing model for supporting other communities

BWCE was established in 2010 from an initiative of local Transition groups, as a practical response to the challenges we face in reducing carbon emissions and maintaining a stable energy supply.

BWCE's plans to develop as a financially sustainable community-owned energy enterprise, delivering renewable energy, energy efficiency and energy supply services, via a strong community model that will maximise local investment, strengthen the local economy and build community resilience. BWCE operates across Bath and the surrounding area.

So far BWCE has helped other local communities establish 3 new community enterprises and develop projects, is working with one other and is at an earlier stage of discussions with 3 other communities who are just getting going. BWCE has established service and development agreements with partner communities that provide fees back to BWCE when projects reach financial close but not before.

Partnership with Bath & North East Somerset Council has been vital providing a valuable co-operation agreement, seed grant funding, strong officer and member support and active support around stakeholder partnership building.

Achievements

Environmental

- 1.6 MW of solar PV, across both roof and ground mounted solar schemes. Include a 1MW scheme in partnership with Wiltshire Wildlife Trust
- Further 10MW of solar PV, wind and hydro projects under development
- Nearly 1GWh generated to date
- 380 tCO₂ per annum
- Community fund payments started, growing to an average of £30k/yr for projects so far installed. Fund for re-investment in local community to include social outcomes such as fuel poverty

Social

- Local employment created in community energy enterprise
- Educational impact of supported solar PV in schools
- **Financial**
- Raised over £2.5 million across three share offers raised from over 600 investors
- BWCE trading for three years with small surpluses after loan repayments and 7% interest paid on member's investments
- Guaranteed saving on schools and community buildings energy bills



Strengths

- Credible local organisation built on strong community links
- Offering a return to investors that recognises risk and lack of liquidity as well as strong social and environmental returns
- Built momentum with early action that developed track record
- Strong partnership with Bath & North East Somerset Council
- Construction finance from SSE for first projects eased initial delivery
- Partnership with neighbouring communities enabling BWCE to develop scale without losing community links

Challenges

- Changing financing framework for FIT reducing confidence from investors and digressions in tariffs going quicker than falls in technology process
- Restrictions on wind projects from negative planning policies in neighbouring local authorities (not Bath & North East Somerset Council) and local airport
- Legal costs and delays
- Higher risk of investments in renewable heat projects
- Need to clearly define what partner communities need to do in advance of developing active partnerships as really early stage development is difficult to support without extra funding from elsewhere

Barriers & recommendations

This section highlights the barriers to the development of a community owned renewable energy revolution and provides key policy recommendations that national and local government could adopt to stimulate the growth of the community owned renewable energy movement.

Barrier 1

A lack of national targets stifling local governmental support for community owned renewable energy projects

In the absence of any legal, mandatory, long-term targets, local authorities have no real incentive to prioritise support for community owned renewable energy projects. As a result community owned renewable energy group development is entirely dependent on volunteers. Any support received is ad-hoc and piecemeal and therefore cannot be reliably counted upon. At a time when budgets are under significant pressure, the likely result is that any funding that might otherwise be earmarked for community owned renewable energy projects are diverted to meet other mandatory requirements.

Councils hold the vast amount of the nations housing stock together with land which is suitable for hydro, biomass and wind development and could deliver the most direct change for community energy.

Local Authorities could support community energy through the following practical ways:

- Appoint a designated officer to lead on community energy programmes for the local authority that can convene dialogue between community energy groups and key departments, such as enterprise and employment, property services, planning, sustainability, housing, community development
- Partner with not-for-profit organisations to deliver energy projects.
- Establish co-operation agreements with community energy enterprises to forge stronger partnerships at both member and officer level.
- Streamline and facilitate the navigation through procurement, legal, and financial frameworks.

- Unlock assets for community owned renewable energy co-operatives through lease agreements.
- Encourage participation from housing associations, arms-length management organisations and tenant management organisations.
- Urge private housing and retail developers to invest in this form of energy generation.
- Invest in community energy group development through grant funding, supporting community to community networking, developing training and supporting community champion programmes.
- Consider provision of seed or development funding as grant.
- Consider provision of debt finance for capital project costs through borrowing, balance sheet or pension fund investment to generate secure long term income streams for local government.
- Become a stakeholder in the co-operative through investment as a shareholder and gain a financial return on investment

Encourage people to get involved and support wider community dialogue by promoting the development of renewable energy projects via a strong community model through public meetings, workshops, lectures, newsletters and local media.

Policy recommendation 1

Establish national targets for community owned renewable energy

Long-term (20-25 year) national targets with interim milestones would enable local authorities to implement the necessary policies and procedures to support the growth of community owned renewable energy projects within their municipality.

Targets should cover both a percentage of the nations energy supply to be generated from community owned renewable energy projects and a percentage of the required CO₂ reductions to be achieved via community owned renewable energy projects (see section on energy efficiency for related policy recommendations). With clearly stated national targets in place, the responsibility for meeting them can be devolved to local authorities.

Barrier 2

Community owned renewable energy projects operate at a significant commercial disadvantage

Community owned renewable energy groups and projects operate at a significant commercial disadvantage when compared with private energy companies. The UK Government provides significant fiscal support to private energy companies through a combination of subsidies and tax incentives to promote growth and investment. This same level of fiscal support is simply not available to community owned renewable energy projects and developers, with existing financial and tax incentives constantly being revoked and under threat from the Treasury. Whilst historically investment in the private sector was important to build the energy infrastructure at a national level there has been no local or social returns. Benefits from the investment are given to shareholders who may or may not live in the country and most unlikely live in the area.

Furthermore, high yielding energy projects in the best locations often go to private developers through commercial contracts with less viable projects being left for community groups. Community groups assess project viability based on the social and environmental returns on offer, as well as the financial returns, and will therefore consider projects that may not appeal to private developers. Unless steps are taken to level the playing field, community owned renewable energy projects will continue to operate at a significant commercial disadvantage compared to private developers. Please see case Study 4: Tiree Renewable Energy Limited (TREL) which highlights among other success's of a community owned renewable energy project using loans.

Policy recommendation 2

Level the playing field to enable the Big 60 Thousand

There are a number of policy options that can be explored to help close this gap:

1. Define community owned renewable energy projects by motivation rather than size: There should be no upper limit to the size of project that can be delivered through community owned renewable energy projects. Individual projects (e.g. CHP) or a multiple projects run by the same community owned renewable energy group could easily breach the new 10 MW threshold introduced by the Coalition Government. The primary motivation for community owned renewable energy energy is one that enshrines social, and environmental returns in addition to financial returns.
2. Introduce a Community-Feed-in Tariff (C-FIT) and Community Renewable Heat Incentive (C-RHI): Using the above definition, community owned renewable energy groups could benefit from tariff uplifts for both FIT and RHI projects in a manner that does not effectively penalise large-scale community owned renewable energy projects.

3. Mandatory purchase of renewable energy from community owned renewable energy projects post 2017: As it stands, the contract for difference clause within the Energy Market Reform Bill would enable private energy companies to wholly and unfairly dictate the price at which they buy energy from community owned renewable energy groups. Mandatory purchase orders could ensure a fair market price to mitigate against this.
4. Encourage growth of market through the provision of bridging loans for medium scale community owned renewable energy projects (£100,000 to £3 million) by the Green Investment Bank and loan guarantees for community enterprises.
5. Enable community buy-in as a proportion of any large scale renewable energy initiative: By mandating community share offers as a portion of new, large scale public and private developments, community owned renewable energy groups could gain access to high yielding, higher return projects that have previously been the exclusive preserve of private developers. By enabling community owned renewable energy groups to invest in such projects, this would help open up more sophisticated investors to socially responsible investment and allow community owned renewable energy groups to share the returns between investors and local community fund and trusts. Such a policy would also foster closer ties between private developers and the communities that host the projects they develop. While there is a voluntary agreement with the threat of mandatory requirement if voluntary agreement fails implemented through Shared Ownership Task force it is of high priority to monitor its successes.
6. Alignment of HMRC policy and the community energy strategy, to ensure the requisite budgetary support. We also need to ensure that incentives are national and technology agnostic.
7. Implement properly funded and well designed peer mentoring programmes.
8. Support training for communities on engaging with the energy market and improving commercial skills.
9. Support the development of a regulatory body that oversees share offers with a quality mark

Barrier 3

Direct Supply of Community Owned Renewable Energy to Residents:

Community owned renewable energy projects are not able to supply energy directly to residents as they are not set up as energy companies and it is prohibitively expensive to put in individual meters or set up as a supply company. Currently, energy generated from community owned renewable energy projects is sold at a significant discount on retail prices to the existing energy utilities, which is then sold to local residents at a significantly higher price. For example, energy sold to a utility at 4.5p/kWh (Export tariff) is then sold to local residents by the energy utility at 17p/kWh plus a standing charge of a further 17p/kWh.

The barriers to direct sale of energy are considerable, meaning community owned renewable energy groups must invariably sell energy generated to registered energy suppliers who then reap the benefit of the significant differential between wholesale and retail energy prices. Additionally, the electricity supply market is heavily legislated and therefore difficult for small community groups to try and break legal barriers. To reduce the regulatory burden Ofgem introduced the Licence-lite in 2008 to act as a viable entryway for small ESCOs to sell electricity. So far there has only been one applicant for Licence-lite, the Greater London Authority (GLA). The GLA are forecasting 2016 as a potential start date to test the Licence-lite.

If Community owned renewable energy groups were able to sell energy generated at closer to retail prices, under a simple (not heavily regulated) mechanism, they could potentially achieve the following:

- Increased financial returns that could be distributed between socially responsible investors and enhancing returns to Community Funds.
- Supplying energy at a discounted cost to consumers, by sharing the benefit of the differential between wholesale and retail costs and the reduced distribution costs, thereby helping to tackle fuel poverty
- Increasing competition in the market would ensure fairer prices for the consumers and help address fuel poverty

Policy recommendation 3

Enable community owned renewable energy projects to supply energy directly to communities

1. Pilot the direct supply of community owned renewable energy to local residents to underpin the move from a 'Big 6' to a 'Big 60 Thousand'.
2. An investigation into the sluggishness of the License-lite process and how it could be developed to enable community energy enterprises to get involved is urgently required. If and when the scheme becomes a viable option for community energy, pump priming grants to support community owned renewable energy projects develop the capacity, skills and partnerships necessary to successfully engage with the energy market would help expedite the process.
3. Another approach would be to create a "Licence Local." A deviation of the Licence lite that allows community owned renewable energy entrants into the complex energy market. This would allow groups to sell power in the immediate proximity of their energy generation.
4. Electrical Contestable Supply Rules; given that heat is not a contestable supply, another possible idea to investigate is to make an exemption clause for community owned renewable energy companies to take electricity off the contestable supply rules.

Barrier 4

Lack of seed funding and Development Support

Setting up a project can be complex from technical feasibilities to negotiations with the building owner and raising funds through community share offers. Community owned renewable energy projects require a range of skills that includes technical, IT, legal, accounting, community engagement, marketing and project management expertise. It takes thousands of dedicated volunteer hours and expertise to develop a deliver a project. Sadly, despite all efforts not all community owned renewable energy projects succeed.

Start up funds that were previously available to Community Groups (e.g. Local Energy Assessment Fund (LEAF)) have now been revoked and replaced with a grant/loan mixture (e.g. Rural Community Energy Fund (RCEF)), whilst the loans are contingent on success, successful projects

are subject to high levels of interest (45%), repayable within three years. In addition, the support previously available for first-step startups through the Co-operative Enterprise Hub is no longer available, due to the problems being experienced by the Co-op Group.

As the community energy sector has been evolving through the years we have seen the development of intermediary organisations that provide online platforms, advice and end-to-end project management support. This saves the local community group from having to reinvent the wheel resulting in higher success rates and more projects being developed across the Country. All of the examples in this report and the overwhelming majority of the nations successful Community owned renewable energy projects have a. received partial support from the above programmes and b. gone on to support all of the fledgling projects. Please see Case Study 5: Bath & West Community Energy. However, these intermediary development organisations need community owned renewable energy funding to sustain this support.

To promote the growth of Community owned renewable energy Groups and projects, we need to ensure access to small start up grants to enable communities to take their first steps easily without a total reliance on volunteers. Alongside start up grants there is a need to build skills and community capacity through training, sector standards, guidance and properly supported peer mentoring programmes. Their needs to be a particular focus on helping communities develop their commercial skills, their understanding of the energy market, developing investment ready projects and offering high quality share offers, understanding how to professionalise without losing the voluntary support that's the lifeblood of community action, improving monitoring and evaluation and how best to maximise wider community participation.

Policy recommendation 4

Use existing levies to create a national community owned renewable energy fund, administered at the local level

1. Allocation of Section 106 and Community Infrastructure Levy (CIL) and development of Allowable Solutions to finance community energy to ensure carbon offset takes place in the local area.
2. Integrate energy efficiency programmes such as Energy Companies Obligation (ECO) with community owned renewable energy projects. Brixton Energy Solar 1 and Solar 2 benefitted from carbon-offset funds secured through the Community Energy Savings Programme (CESP) that closed in December 2012. The funds secured supported the development costs of the project. Through this process residents are involved in both energy generation and energy reduction facilitating behaviour change.

3. Establish a national community owned renewable energy fund: The government should consider establishing a 4-year national community owned renewable energy Fund, in order to provide seed funding for both community energy organisations and the intermediary development organisations that support this nascent sector. Over time, as these development organisations become more established, the dependency on grant funding will reduce as they are able to develop financially sustainable delivery models that draw value out of the community energy projects that they help develop. This longer term outcome relies however on the development of a more mature community energy sector.

Barrier 5

Lack of Strong, Stable and Effective Energy Policy

Successful community energy action will depend on strong, effective and well resourced energy policy more widely, particularly on energy efficiency and renewable energy. Communities cannot deliver projects in isolation, they need to build partnerships with thriving renewable energy and energy efficiency industries that are prepared to invest and create opportunities. Communities need stable regulatory and financial support frameworks and strong long term energy policy that will give a clear signal to investors and the wider energy industry.

In particular there is a need to re-create an effective and adequately resourced delivery mechanism for energy efficiency that is fit for purpose in light of the scale of the challenge in terms of carbon reduction.

Community owned renewable energy projects have benefited from financial incentives such as Feed-in-Tariff (FIT), Renewable Obligation Certificate (ROC) and Renewable Heat Incentive (RHI). Without these incentives, many projects, both community and private, would simply not have been economically viable. Please see case Study 2: Woolhope Woodheat which highlights an example of the first community-owned renewable heat project attempting to secure this RHI.

However, the current distribution of financial and tax incentives is fragmented, with variation by technology and geography (e.g. wind power exclusion from ROCs, Northern Ireland excluded from FIT). With RHI and ROC projects not eligible for Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS) relief, and with FIT support levels being continually reduced at rates that are steeper than falls in technology prices,

Community owned renewable energy projects are being deprived of essential financial support and so returns are being depressed. The Tories have announced that they will be revoking support for onshore wind in their next manifesto and are questioning the FIT levels for ground

mounted solar farms. Unsurprisingly, investor confidence, both private and socially responsible, is under threat. Finally, as the financial returns become increasingly less competitive the ability of Community owned renewable energy groups to access more sophisticated investors is being compromised thereby affecting the ability of Community owned renewable energy groups to pursue larger scale initiatives. To promote the growth of Community owned renewable energy projects, we must therefore ensure the appropriate financial incentives are in place to encourage more socially responsible investment.

Policy Recommendation 5

Create Strong, Stable and Effective Energy Policy

1. Establish clear long term and short term goals for energy policy, for example around decarbonisation of electricity supply, demand reduction and the eradication of fuel poverty (and re-establish meaningful definition of fuel poverty)
2. Put political weight behind a stable and positively framed FIT, RHI and ROCs system that reassures investors and enables communities to invest time and energy in longer term project development with confidence
3. Create clear, transparent and well funded approach to delivering energy efficiency improvements. Without positive and effective broader energy policy on energy efficiency and fuel poverty, community energy action on energy efficiency will founder
4. Maintain and extend tax relief currently available to investors in community owned renewable energy projects. (i.e.. EIS and SEIS for renewable electricity extended to include Renewable Heat and to cover ROCs). Without these, the return on investment would be significantly reduced
5. Standardisation national energy policy incentive packages. For example Northern Ireland does not have the feed in Tariff.

Barrier 6

Lack of Financial Sustainable Community Energy Efficiency Delivery Models

This report focuses primarily on community renewable energy projects. However the potential for increasing community engagement with energy efficiency and demand reduction programmes is significant. Community action has increased take up of energy efficiency measures through CERT schemes in the past as well as projects like Transition Streets, Carbon Conversations, Eco Teams

, Going Carbon Neutral Stirling and Community Draught Busters, all demonstrating the potential for community action to support, encourage and enable demand reduction through behaviour change.

Whilst the FIT has enabled community enterprise to develop financially viable delivery models that help reduce grant dependence, to date most energy efficiency and demand reduction action at a community level is grant funded and delivered primarily through volunteers like Wadebridge Renewable Energy Network (WREN). WREN has piloted many energy efficiency schemes after having galvanised the community with the many renewable energy cooperatives. Please see case study 3: Wadebridge Renewable Energy Network.

Urgent action is required to capture the learning around what works and what doesn't and develop pilot programmes to test new approaches to enable community energy projects to generate an income from the delivery of energy efficiency and demand reduction programmes. Such an approach would acknowledge the added value community delivery can bring to carbon reduction whilst building sustainable delivery mechanisms that can operate within the energy market.

On top of which viable delivery mechanisms for energy efficiency will enhance the ability to link community renewables projects with demand reduction at a community level to the benefit of both.

Key policy recommendation 6

Developing the community energy efficiency Sector

1. Draw together existing learning around community approaches to energy efficiency and behaviour led demand reduction with a view to developing viable delivery models that will enable the community sector to engage with energy efficiency on a sustainable basis, through funded research and dialogue with the community sector
2. Deliver pilot programmes to test financially viable business models for energy efficiency. For example, offering a carbon uplift within ECO programmes that embed community energy partners to increase take up and/or deliver behaviour change programmes, thereby enabling community income streams to fund activity. The community partnership element might need to be signed off by a competent body e.g. new sector body.
3. Prioritise community led behaviour change programmes via pilots, research and funding. For example also with a specific focus on exploring how demand reduction programmes can be funded on a financially sustainable basis beyond grant.

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