



# SCOTLAND'S GREEN ENERGY FUTURE: A CO-OPERATIVE ENERGY TRANSITION

**Scottish  
Co-operative  
Party**

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# PREFACE



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**The Scottish Labour Party's Energy Transition Commission has provided the Co-operative Party with the opportunity to make the case for a just, co-operative energy transition.**

This pamphlet provides an overview of why we believe a co-operative energy transition is the right approach for Scotland and its people. Community energy offers the opportunity to empower people to produce their own energy, improve their energy efficiency and become less reliant on fossil fuels. We believe only community energy can achieve these three things and truly empower communities.

This policy paper will look at what community energy is – identifying the multitude of different schemes and initiatives which it incorporates. We will set out why it is the right approach for Scotland and why the Scottish Labour Party should support its implementation going forward. Finally, we will detail how we believe a community energy transition can be achieved in Scotland – by identifying what is required from a technical, financial, and legal aspect.

This policy paper will be submitted to the Scottish Labour Party's Energy Transition Commission with the ambition of beginning a greater expansion of community energy across Scotland. By delivering a community energy revolution, we can start the process of building a new, green economy and society - where power and wealth are shared more fairly in the interests of all communities.



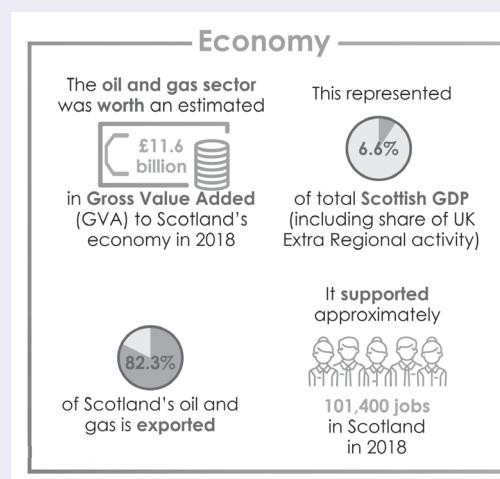
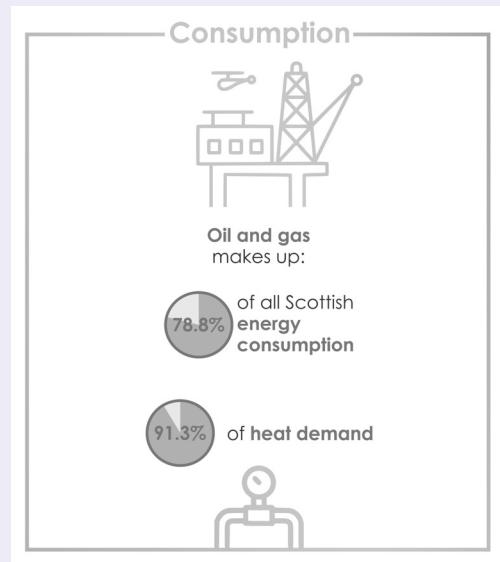
# INTRODUCTION



In Spring 2019, First Minister Nicola Sturgeon announced Scotland would be net zero by 2045. While this commitment established Scotland on the path of a transition away from fossil fuels and towards a decarbonised future, the Scottish economy is still heavily reliant on fossil fuel energy. In 2020, oil and gas made up 78.8% of all Scottish energy consumption, despite 82% of Scottish oil and gas being exported. North Sea oil industry is a significant contributor to the Scottish economy, particularly in and around the North East coast centred on Aberdeen. The sector was responsible for 6.6% of Scottish GDP and maintains over 100,000 jobs across the country in a population of 5.5 million.

While the Scottish oil and gas industry remains an important sector of the economy, both the Scottish and Westminster governments have made commitments to achieving net zero. This will require a transition from fossil fuel industries over the long term as the UK attempts to decarbonise and convert to green energy sources. The move away from oil and gas represents a major challenge for Scotland and in particular North East Scotland, so the future plans must ensure good jobs and economic opportunities are part of a just energy transition.

In this context, the Leader of the Scottish Labour Party, Anas Sarwar MSP, launched an Energy Transition Commission in September 2021. Launched at the Labour Party's National Annual Conference, the Energy Transition Commission aims to provide a plan for how Scotland can maintain and create well paid jobs as it moves towards a net zero economy.



Top to bottom: Diagrams from the Annual Compendium of Scottish Energy Statistics 2020

# WHAT IS COMMUNITY ENERGY?

**Community energy is collectively-led renewable energy initiatives which seek to generate renewable energy, store energy and reduce energy demand.**

Initiatives are all community-led and owned, empowering local people to take greater control of their energy generation and usage. The democratic governance of community energy helps to promote people's participation in the energy system – so they can work collectively to decarbonise their homes, communities, and local economies.

Ownership models can take various forms, from co-operative and mutual ownership to community benefit societies. Funding for community energy projects primarily come from Community Share Offers (CSOs), which enable local people to invest in the project in exchange for a share of the profits generated.



EDINBURGH



NORTH UIST



APPLECROSS





# EXAMPLES

## Energy Generation

### Solar

The UK's most popular community energy initiative is the installation of solar panels – on homes or community buildings.

Edinburgh Community Solar Co-operative is an example of a new community-owned solar initiative in Scotland.

### Wind

On shore windfarms provide high levels of energy creation and are popular options for community energy projects.

UistWind is an example of a wind turbine project developed and operated by North Uist Development Company, a community benefit society.

### Hydro

For communities living in coastal areas or near rivers, hydro energy can provide consistent energy generation.

Apple Juice Community Hydro is an example of a hydro power project, operated by a community benefit society for the community of Applecross in the Highlands.

## Energy Efficiency

Reducing energy wastage and usage can often be as important as generating clean, green renewable energy. Community energy groups work to retrofit insulation in members' homes - helping to save heat and minimise energy usage.

## Energy Storage

An emergent part of the community energy sector, energy storage aims to capture and store energy for later use. The primary system for this is electrical battery storage, however additional storage options include thermal stores, hydrogen stores, pumped hydroelectric storage and heat battery storage.

# BENEFITS

**Community energy brings extensive advantages to the members and communities which participate. Benefits include:**

- INCREASED UPTAKE OF RENEWABLE ENERGY SOURCES
- INCREASED GENERATION OF RENEWABLE ENERGY
- COMMUNITY EMPOWERMENT AND ENGAGEMENT
- CLIMATE EDUCATION
- BEHAVIOUR CHANGE
- REDUCED ENERGY BILLS
- REDUCED FUEL POVERTY
- LOWER CARBON EMISSION
- CREATE AND SUSTAIN LOCAL JOBS OPPORTUNITIES





# WHY WE SHOULD EXPAND IT

In the 2022 Scottish Labour Local Election Manifesto, the Scottish Labour Party committed to ‘support local, renewable energy projects and co-operatives’<sup>1</sup>. This commitment followed Scottish Labour’s earlier statement of support for an energy strategy which takes a whole system approach to decarbonising the energy system<sup>2</sup>.

The recognition of the need to promote community energy demonstrates the promising position of the sector in Scotland. The Energy Savings Trust estimates there are over 25,000 community and locally owned renewable energy installations in Scotland, which represents a 25% increase since 2019<sup>3</sup>. In 2021, Scotland was the leading nation in the UK for wave and hydropower community energy installations, taking advantage of the natural resources Scotland has. Scotland’s community energy organisations tend to have higher staff and volunteer numbers, indicating that Scotland’s community energy projects may be better resourced than projects in other UK nations<sup>4</sup>. As of 2022, there are 103 community energy organisations active in Scotland, with over 192 full time staff—a 33% increase on the previous year<sup>5</sup>. Member owners of Scottish community energy organisations currently number 10,400—with most primarily found in the Highlands & Islands—where they benefit extensively from wind and hydro power installations.

# HOW IT CAN BE ACHIEVED

Scotland is well placed to seize the benefits of community energy. It is naturally and geographically well placed to reap the power of hydro, wind and solar panel in many regions of the country. Scotland's current community energy projects are better resourced than average and have more volunteers than other nations of the UK. It also has access to important community energy funding through the Scottish Government's Community & Renewable Energy Scheme (CARES), which accounted for 88% of development funding in 2016.

While Scotland has the basis for a community energy led transformation of the energy system, change is required to deliver the technical, financial and legal support to deliver large-scale expansion. Reforms are needed to enable projects to quickly achieve planning permission, attain adequate sustained funding and remove legal barriers. Many community energy groups struggle to get started, sustain growth or achieve their objectives as a result of these barriers—which often favour private providers which have access to quick capital. At the moment, government policy and financial support favours very large-scale offshore mega projects. The Contracts for Difference (CFD) programme is often inaccessible for smaller projects, with the CFD framework most suited for large developers bidding for multiple projects.

The Scottish Government's devolved powers provide it with extensive levers to support the growth of the sector and empower communities. The following recommendations would enable the Scottish Government to begin an energy transition which puts community energy at its heart.

<sup>1</sup>Build the Future Together, Scottish Labour Local Election Manifesto 2022

<sup>2</sup>Scottish Labour National Recovery Plan 2021

<sup>3</sup>Community and locally owned energy in Scotland, 2020

<sup>4</sup>State of the Sector 2021, Community Energy Scotland

<sup>5</sup>State of the Sector 2022, Community Energy Scotland

<sup>6</sup>State of the Sector 2022, Community Energy Scotland





# RECOMMENDATIONS

## 1 Double the funding for the Community & Renewable Energy Scheme (CARES)

The CARES funding scheme, delivered by Local Energy Scotland on behalf of the Scottish Government is well regarded by the community energy sector. CARES provides approximately 88% of development funding and is particularly effective in delivering growth of small community energy projects. Doubling the fund would build on its track record of achieving sector expansion.

## 2 Create a new ringfenced Scottish National Investment Bank Fund for large-scale community energy projects

The Scottish National Investment Bank<sup>7</sup> was established in 2020 to deliver investment into projects with the aim of creating a crowding-in effect from private capital. The Bank invests in community projects with a minimum debt or equity threshold of £1m.

Achieving net zero is one of the Bank's three core missions. As such, it is ideally placed to help capitalise large-scale community energy projects – helping to generate a crowding-in effect from Community Share Offers (CSOs).

## 3 Establish new Scottish Government energy procurement strategy

With spiralling energy prices across the globe, many local authorities and public sector bodies are purchasing their energy in advance at a fixed price as a form of hedging.

The Scottish Government's energy purchasing strategy – used to bulk buy energy for local authorities – should have specific quotas for buying from community energy groups.

This would be essentially as community energy CFD, used to develop and sustain community energy schemes throughout Scotland. The updated Scottish Government energy procurement strategy would help to provide financial certainty to community energy projects through upfront purchasing of energy.

## 4 New funding for early-stage capacity building and training

Lack of experience and initial expertise often holds back community energy groups attempting to develop a new project according to Community Energy Scotland. Providing additional resources in terms of funding and training for very early-stage community energy projects will help more get off the ground. This could be delivered through the expanded CARES programme with specific funding for early-stage capacity building and training.

Additional educational resources and training could be delivered by various groups, including Community Energy Scotland, Local Energy Scotland and Co-operative Development Scotland.



# RECOMMENDATIONS

## 5 Strengthen the status and funding of Co-operative Development Scotland

Co-operative Development Scotland (CDS) is a wing of Scottish Enterprise which supports the growth of the co-operative and employee-owned business sectors. The CDS could play an important role in assisting the development and scale-up of community energy organisations throughout Scotland but is limited in doing so due to its inadequate funding and resources.

The Scottish Government should commit to specifically increasing CDS funding, ringfenced from Scottish Enterprise, so they can assist in the growth of the sector.

## 6 Encourage Labour & Co-operative representatives to support local community energy projects

The Scottish Labour Party and the Scottish Co-operative Party have a big role to play at a local level in assisting community energy projects and organisations. Labour & Co-operative representatives – whether MSPs, MPs or councillors – should be working locally to promote community energy development – helping to resolve planning, finance, and land issues.

Labour & Co-operative representatives should aim to raise awareness of community energy amongst residents, community groups, local organisations and financial institutions – so that more people participate in projects.

## 7 Waive local government planning fees for community energy projects

Community energy projects are subject to local government planning fees. These can help to make new initiatives prohibitively expensive, during the initial phase of development when capital is scarce. By waiving these planning fees, local authorities can incentivise new community energy projects and reduce the upfront financial burden of projects.

## 8 Fast track community energy planning applications

Delays to planning applications can be costly to capital intensive community energy projects. Securing land and beginning development quickly can help get early-stage community energy initiatives off the ground. Fast tracking community energy planning applications, combined with waiving local planning fees, would remove planning barriers which impact early-stage development.

# RECOMMENDATIONS



## 9 Enable local government pension schemes to invest in community energy

Enable and encourage local authority pension schemes to provide investment into community energy projects. Loans from local authority pension schemes would be paid off with interest over an extended period and would serve as patient capital without the loss of equity or control for community energy organisations. This form of patient capital would be particularly helpful for wind and hydro projects which require significant upfront capital investment.

The loan investment in Westmill Solar Co-operative by Lancashire County Council pension scheme is an example of where local authority pension scheme patient capital has been used to good effect to facilitate a community energy project.

## 10 New funding for area-based retrofitting groups

The Scottish Government should encourage the development of area-based community retrofitting groups, to help facilitate the retrofitting of their local housing stock. Funding should be made available to develop these groups, which would work with local contractors to implement installation in their communities. These retrofit groups should be community owned and governed organisations, which can provide information, guidance and support on home retrofitting for local residents.

## 11 Establish a National Guarantee Scheme for loans to retrofit homes

A new National Guarantee Scheme for loans used to retrofit homes. The National Guarantee would include an inspection of the retrofit installation – to ensure people taking on retrofit loans have adequate installation and achieve the benefits of retrofitting. This would help to provide assurance to households who investing in retrofitting their homes.

This should include a penalty for faulty installations – helping to get consumer's money back and giving them the confidence to invest in retrofitting their homes.



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