

The **co-operative**

CO-OPERATIVES UK



Manifesto for a community energy revolution
Part of the work of the Community Energy Coalition



About this manifesto

This manifesto is published jointly by The Co-operative Group and Co-operatives UK and endorsed by members of the Community Energy Coalition. Community energy is a fast growing sector and as new opportunities to support it emerge we will look to include them in future versions of our manifesto. It is based on extensive research and consultation, including:

- Detailed research into the sector, including two consultation events with energy co-operatives and other experts, and five in-depth case studies, published as *Co-operative renewable energy in the UK: a guide to this growing sector* (www.uk.coop/renewable)
- Research by Camco and Baker Tilly, commissioned by The Co-operative Group, into the Green Investment Bank, published as *Climate change solutions: the potential for the GIB to support community renewables* (<http://s.coop/q073>)
- Community Energy Visioning: a project run by Forum for the Future and Carbon Leapfrog for The Co-operative Group, investigating community energy elsewhere in Europe and developing a widely-supported vision for community energy in the UK.

Please visit The Community Energy Coalition webpage to see the full list of members at:

www.forumforthefuture.org/project/community-energy-coalition/overview

Photographs were kindly provided by David McHugh, www.davidmchugh.co.uk (page 12), Energy4All (page 6)

About the Community Energy Coalition

In February 2012, The Community Energy Coalition, a coalition of organisations with 12 million members, launched its Vision for Community Energy in 2020.

We believe enacting this manifesto would help to turn the vision, set out below, into a reality. This manifesto sets out why and how central, devolved and local government should join us in dramatically scaling up community and co-operative energy.

Community Energy 2020

Communities across the UK owning, generating and saving energy together for the benefit of all

We believe that community energy can and should:

- enable all communities collectively to play a substantial role in meeting the UK's carbon and renewables targets by saving energy and creating a secure, clean and affordable heat and electricity supply;
- increase the scale of investment in renewable energy and energy saving and attract new individuals, communities and institutions to invest;
- encourage people to act co-operatively to create sustainable communities and give everyone an equal opportunity to own and control shared assets democratically;

- respect communities, the landscape and wildlife through genuine stakeholder involvement and management of natural assets for the benefit of current and future generations;
- increase people's awareness and support for renewable energy projects and encourage energy saving.

Our commitments

To make this happen we will collectively:

- promote community energy with our members and wider stakeholders as a powerful voice;
- share best practice and create an evidence base for the value that community energy creates;
- ask central, devolved and local government to join us in dramatically scaling up community and co-operative energy by integrating support for the sector across all policies in a public, long term and stable way and ensuring communities have access to appropriate financial and capacity support.

This manifesto for a Community Energy Revolution is supported by members of the Community Energy Coalition.



Summary Manifesto

Ed Davey MP, the Secretary of State for Energy and Climate Change, has said that “he wants nothing more than a community energy revolution” and Greg Barker MP, Minister of State, has said “Community engagement in the energy sector will be vital to our vision of the development of energy in the UK in the coming decades.”

DECC has committed to publishing a Community Energy Strategy in 2013. We are calling on the Government to introduce policy measures as part of this strategy that would lead to a formal guarantee of the treatment and support that community and co-operative energy (CCE) schemes can expect from government and its agencies.

The Government’s strategy should offer a clear route from assessing feasibility through to generating and selling electricity, heat and retrofitting energy efficiency measures.

We call on the government to do the following:

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.



Torrs Hydro, in New Mills, Derbyshire, was the UK's first community owned hydropower scheme and has generated over 640,000 KWh of electricity since September 2008. Profits from the scheme fund a community grants programme.

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.

Introduction

This manifesto is a direct call to Government to help facilitate a dramatic scaling up of community and co-operative energy (CCE). We welcome the Government's commitment to develop a Community Energy Strategy and propose this manifesto as the basis for it. We also commit to supporting the Government in its development.

CCE is a vibrant and growing sector in the UK, generating renewable energy and increasing energy efficiency. CCE projects are schemes owned by the local community and have the potential to strengthen the UK economy, cost-effectively meet climate and energy goals whilst respecting communities, and generate tangible local economic and social benefits.

There is great potential for the CCE sector. Recent research by Camco and Baker Tilly¹ conservatively estimates there is potential for over 3.5GW in the UK by 2020, the equivalent of four conventional coal-fired power stations. With the right support, the potential for community energy generation could be significantly higher. In Germany, already an estimated 15 percent of all renewable electricity generation capacity is owned by communities, some 5GW of capacity and 600 energy cooperatives. CCE can be at all scales, from a few solar panels on the roof of a village hall to large scale wind energy developments.

The potential for community energy efficiency schemes is also significant, with housing stock in the UK being amongst the most inefficient in Europe. CCE groups have already demonstrated that they can deliver housing retrofits and help people out of fuel poverty. Some CCE groups are also generating income from renewables and investing surpluses in energy efficiency.



Baywind Energy Co-operative commenced generation from the UK's first co-operatively owned wind farm near Ulverston in Cumbria in 1997. Consisting of five 500KW turbines, it has proved that community ownership can be commercially successful and bring major benefits to the local community. It uses local contractors for site development and maintenance, funds an energy conservation trust, which provides grants for efficiency measures within the locality, and increases awareness, with hundreds of school children and adults making educational visits. Co-operative members also receive good annual dividends on their investment.

CCE embodies the national vision of a strengthened civil society with greater citizen involvement. Community ownership of energy projects also helps to reassure communities that development is not being foisted on them by large unaccountable energy generators via processes over which they have little control. Instead it empowers communities to own and democratically control their own energy in locally appropriate ways.

It is also popular with the public. In July 2012, the Department of Energy and Climate Change's Public Attitudes Tracker found 79 percent of people supported renewable energy with 78 percent agreeing that renewable energy developments should provide direct benefit to the communities in which they are located.²

The UK government and devolved administrations have made a strong commitment to community energy. The coalition agreement states that such schemes will be encouraged, and ministers have stressed the need for recognition of their role.

However, community energy is still the exception rather than the rule in the UK. This is because it does not fit the system. Academic analysis³ in 2005 showed that in Germany 10 percent of onshore wind capacity is co-operatively owned and in Denmark this figure is 25 percent, compared to 0.5 percent in the UK. In policy terms, the UK lacks a comprehensive and integrated framework of support for CCE schemes. This puts CCE schemes on a precarious footing.

Most groups in our research pointed to the difficulties caused by the shifting and uncertain regulatory environment. There is a particular issue with medium scale projects, from 50kW to 10MW. At this level, CCE schemes are often subjected to regulatory and policy measures designed for much larger, commercial scale generators. There are numerous examples of attempts to navigate complex processes, such as the hydro project that had to gain agreement from five separate bodies to bring electricity from its powerhouse to the grid, a distance of a hundred metres.

We look forward to the development of a joined up strategy for community energy.

What is community and co-operative energy?

Community and co-operative energy (CCE) projects are schemes owned by the local community through established legal structures and/or those which generate tangible local economic and social benefits.

They are developed and owned by a range of people and organisations, including individuals, businesses, farmers and landowners, local authorities, housing associations and other community groups. Sometimes community ownership structures can also widen their membership beyond those who live or work near the particular project but they maintain an emphasis on community ownership.

Many community energy schemes are co-operatives. Co-operatives are businesses owned and run by and for their members, whether they are customers, employees or residents. All investors become members of the co-operative. As well as giving members an equal say, co-operatives act together to build a better world. Profits go back to members, to the community or are invested in new projects.

Many energy co-operatives are established as industrial and provident societies (IPSs), and issue shares to members.

A guide to co-operative renewable energy in the UK, with five detailed case studies, is available from Co-operatives UK at www.uk.coop/renewable.

How CCE schemes operate

Although all schemes are different, they tend to operate along similar lines:

- A core group establishes the feasibility of a project, often with the support of other CCE schemes.
- The group formally establishes.
- It publishes a prospectus, explaining the business plan, intended return on investment and plans for community benefit and the scheme is marketed.

- For larger schemes, funding from individual investors is supplemented by a bank loan, or co-operation with a commercial developer.
- When the funds are raised, the scheme is constructed.
- The surplus is spent on community benefit or ploughed into future schemes. Members decide how profits are allocated. In a co-operative, members receive a return.

CCE schemes can be any size. Some consist of a small group of people from a local area, funding a single solar array, such as Green Energy Nayland. Others, such as Valley Wind, aim to raise millions of pounds for a large scale wind development.

Most members of CCE schemes are from the local community, but some have additional members from across the country, such as the Friends of Valley Wind.

The potential for CCE

CCE is currently an inspiring but tiny share of the energy generation market. However, its potential is significantly greater. Recent research by Camco and Baker Tilly estimates that there is potential for around 3.5GW of community-owned renewables in the UK, the equivalent of three or four power stations.⁴ To realise this would require capital investment of around £6 billion and changes to policy and market structures. We believe that there is significant potential for a greater level than this.

The CCE sector is still small, though growing fast. As of 11 April 2012, the energy regulator Ofgem had identified 403 community projects receiving Feed-in Tariff (FIT) support.⁵ There are also scores of energy related businesses registered as Community Interest Companies.⁶ There are currently 31 trading energy generation co-operatives, with a wholly owned generation capacity of 20.8MW, and part ownership in a further 1.22GW of capacity through investment in larger, commercial schemes. Fifteen further energy co-operatives are at the launch stage and ten more are in the process of undertaking, or are planning to undertake, feasibility studies. If they all succeed they will bring online a further 30MW of generation capacity.

The largest community-owned project to date is a three turbine 7MW wind farm on the island of South Uist in the Western Isles of Scotland. It is 100 percent owned by the Stòras Uibhist Trust and is expected to generate more than £20 million over the next 20 years. All of this income will be reinvested into the local community with funds earmarked to improve tourism facilities and recreational facilities and to make improvements to the island's port facilities.⁷

There is potential for more partnerships between local communities and commercial developers. A good example is the Neilston Community Wind Farm currently under construction near Glasgow. This 4 turbine 10 MW wind farm is sited on former industrial land and 28.3 percent of the equity is held by the Neilston Development Trust, a local charity and social enterprise. Over its 25-year life the wind farm will deliver millions of pounds to support the long-term sustainability and development of Neilston.

A good example of a partnership between a local community and council is EN10ERGY in Haringey, which has installed solar PV panels on local community buildings in Muswell Hill and is improving the energy efficiency of local schools and social housing in more disadvantaged areas of Tottenham. Another example of an energy efficiency CCE scheme is a Green Deal pilot set up by Sustainable Wallingford in Oxfordshire, supported by the Low Carbon Hub. They found that when homeowners are approached in the right way by a trusted local person, then they are highly likely to sign up for energy saving measures for their home. The Hub is now working with the Energy Saving Co-operative in Barton to retrofit energy saving measures in households in a disadvantaged part of Oxford. These examples show the potential for CCE both to address fuel poverty and to reduce carbon emissions in cost effective ways.

What are the benefits of CCE?

CCE can help the UK to meet its stated energy goals

- **Carbon reduction:** In addition to generating renewable energy, there is evidence to show that CCE schemes build awareness of climate change and develop 'energy literacy'.⁸ Some CCE schemes also work to promote carbon reduction. For example, Baywind, the UK's first co-operative energy scheme, channels some of its profits into an energy conservation trust for local residents.
- **Energy security:** Locally owned schemes are better at exploiting local resources like biomass, farm wastes, or wind sites which may be overlooked by commercial developers. They bring diversity to the UK's energy portfolio, building resilience and security. Renewable energy also helps to reduce dependence on imported fuel.
- **Competitiveness:** CCE schemes attract investment from new sources. Given the significant levels of investment required to renew the UK's energy infrastructure, new sources of finance, such as individual and community investment, are very much needed. At the smaller scale, CCE cannot compete, in cost terms, with commercially generated electricity. This is partly because of scale and the technologies used, but also because of the considerable legal, financial and institutional complexities involved in establishing such projects. Costs would be reduced if policy and regulations were designed with CCE schemes in mind.
- **Fuel poverty:** CCE can help communities tackle fuel poverty, through a locally owned strategy for generating and saving energy. As described above, many of these schemes invest profits in local energy saving initiatives, with free help for fuel poor households. For example, Cwm Arian in west Wales is also developing links with credit unions to allow lower income households to buy in to the co-operative.

Strengthening communities, improving energy awareness and increasing public acceptance

As well as contributing to the UK's energy goals, CCE schemes also deliver other local economic and social benefits, and help the government meet other ambitions, particularly the vision of a strengthened civil society and greater citizen involvement.

By retaining the revenues from renewable energy projects within the local community, there are significant benefits for the local economy. Furthermore, CCE projects tend to enjoy greater levels of public support and attract fewer planning objections. This is recognised by the government in the UK renewable energy roadmap, which states that "Projects are generally more likely to succeed if they have broad public support and the consent of local communities. This means giving communities both a say and a stake in appropriately-sited renewable energy projects like wind farms".⁹

The Committee on Climate Change also identifies this wider benefit of CCE, highlighting the greater planning success rate in Germany and Denmark, where the number of CCE projects is far higher than in the UK.

Through involvement in CCE schemes, participants typically report a strengthened sense of community and that a sense of purpose, pride and achievement. Case study evidence points towards greater community awareness of environmental issues, especially in relation to energy and climate change, and a positive influence on behavioural change. The growth of CCE could, therefore, make a significant contribution to community renewal, public awareness of environmental issues, behavioural change and the acceptance of renewable energy infrastructure.

Attracting new investment

The research by Camco and Baker Tilly also estimates that there is potential for around 3.5GW of community-owned renewable energy capacity in the UK. Applying the average cost per MW from The Co-operative Bank funded community schemes leads to a capital investment requirement of just under £6 billion.¹⁰

Given the current financial climate and the reluctance of some established institutional investors to provide funding at the necessary scale, CCE schemes provide an opportunity to access new sources of finance. CCE has the ability to attract significant additional capital, with new individuals, communities and institutions being attracted to invest.

Government commitment

The commitments made by the UK and devolved governments to support CCE and the policy measures already introduced are to be welcomed. Of note is the May 2010 coalition agreement, which states "we will encourage community-owned renewable energy schemes where local people benefit from the power produced." The new National Planning Policy Framework for England also asks planning authorities to "support community-led initiatives for renewable and low-carbon energy".¹¹

Positive ministerial statements have also been forthcoming. The Secretary of State for Energy and Climate Change, Ed Davey MP, said "I want nothing short of a community energy revolution. Let's start by buying energy together. But let's also save it and generate it together. Just look at Germany to see what is possible. 100 councils aiming to be 100 percent renewable. Nearly 600 energy co-operatives. So next spring I bring forward with a new community energy strategy - so people can and will see the benefits of a green economy for them."

The Minister of State for Energy and Climate Change, Greg Barker, made the case in parliament for the Community FIT to reward and encourage community-owned energy:

"Because of the way in which the system was constructed, there is no way of rewarding community schemes. There is no tariff for communities. There is no way of distinguishing between a City hedge fund manager and a village hall because of the way in which the system was constructed by the last Government. We will try to change that so that we can specifically recognise community schemes, and we will consult on that work."

In line with this commitment, the UK government consulted on limited measures to support CCE as part of its comprehensive review of FITs. Its consultation response included a separate 'community energy tariff' but unfortunately, as proposed, it does not offer a preferential tariff. Other countries have introduced higher FITs for communities. In Canada, Ontario State Government has a CND 1c/kWh uplift and Nova Scotia restricts FITs entirely to community organisations.

The UK government has been forthcoming on the provision of grants, such as the now closed Local Energy Assessment Fund (LEAF), and the recently announced second phase of the Renewable Heat Premium Payment (RHPP) scheme, which includes £8 million of grants to encourage community groups to install renewable heating.¹² Additionally, the government has taken some measures to improve access to finance for communities. For example, the recently announced Big Society Capital includes a Community Generation Fund to lend money to disadvantaged communities to develop CCE projects. Its intention is eventually to create a £15 million fund to support over 130 communities. The government has also announced the Seed Enterprise Investment Scheme, through which CCE schemes will be eligible to seek funding.¹³

The Welsh Assembly has launched Energy Wales: a low carbon transition, which included a commitment to "Ensure communities have access to advice, expertise and funding to harness renewable energy". It also has a Community Generation Fund to provide access to capital for communities seeking to develop renewable energy projects that include social engagement and the recycling of revenue into social impact initiatives.¹⁴

The Scottish government has perhaps made the most progress on CCE. It has introduced a specific target of 500MW of new renewable energy capacity in community or local ownership by 2020 and has established the Community and Renewable Energy Scheme (CARES), which provides community groups with free advice and financial support for renewable energy projects. The CARES budget is managed by an independent company with charitable status.¹⁵

In 2011-12 its budget was £5.35 million for CCE projects and a further £2 million has been made available for 2012-13 as part of the Renewable Energy Investment Fund (REIF).¹⁶ The Scottish government has said this new £103 million fund will focus on supporting communities to develop their own renewable energy projects. A number of large community ownership or community partnership schemes have recently been given approval in Scotland.

Moving to the mainstream

The commitments, policy measures and progress being made, especially in Scotland, are welcome. But CCE is still the exception rather than the rule in the UK. This is because, at present, it does not 'fit'. In policy terms, the UK lacks a comprehensive and integrated framework of support for CCE schemes. Mainstream commercial scale energy is backed by the existing regulatory structures. Research consistently shows how difficult it is for new entrants to compete alongside the established players for whom the market and regulatory context is designed.¹⁷



Ouse Valley Energy Service Company Limited (OVESCO), in Lewes, East Sussex, is a 98KW solar power project owned by the community. The 554 solar PV panels are sited on a warehouse roof belonging to a local brewery. OVESCO provides a four percent return on investment to members and reinvests further profits into other community energy and energy efficiency schemes.

In recent years, government has understood the need to encourage other types of energy generation, and has put incentives in place for small scale schemes, primarily through FITs, the Renewable Heat Incentive and, potentially, the new Green Deal. However, CCE schemes are currently losing out, possibly because they are a hybrid. They exhibit a combination of commercial and social characteristics. They are profit-making, but are motivated by social and environmental benefit. They can't be treated like the big commercial energy companies, but neither do they fit into the individual householder category. Many CCE projects are mid-size in generation capacity: from 50KW to 10MW.

Currently, regulation of renewable energy projects is designed for large scale, commercial schemes. This is inappropriate for CCE projects and can be overly complex for community groups to navigate. Our research has uncovered numerous examples of CCE projects having to negotiate a difficult path through the various agencies, systems and processes. For example, to get electricity from their powerhouse to the grid, a distance of 100 yards, River Bain Hydro had to negotiate with five different bodies, including the network operator, its subcontractor, the metering contractor, the energy supplier and Ofgem. OVESCO in Sussex started generating electricity in July 2011 and, eight months later, had not received any FIT payments, despite completing three stages of registration and enquiry from Ofgem.

Given this situation, there is a need for government to acknowledge explicitly the current and potential role for CCE in the UK energy system, and to establish a framework which ensures it can flourish.

How to create a community energy revolution

To realise the potential of CCE, the Government must give communities confidence that they will be able to successfully complete projects.

The Government should give communities a formal guarantee of the treatment and support that CCE schemes can expect from government and its agencies, in recognition of the contribution that they make toward the UK's energy goals.

Whilst the UK and devolved governments have committed themselves to community energy, they have yet to introduce a comprehensive and integrated framework of support. This puts CCE schemes on a precarious footing, and makes them more dependent on individual policy measures such as FITs. Most groups in our research pointed to the difficulties caused by the shifting and uncertain regulatory environment. There is a particular issue with medium scale projects, those from approximately 50KW to 10MW capacity. At this level, CCE schemes are often treated in the same way as much larger commercial developments, which is inappropriate. Particular acknowledgement should be given to this 'squeezed middle'.

This guarantee must come with a clear route from assessing feasibility through to generating and selling electricity or heat and introducing energy efficiency.

In England, the Department of Energy and Climate Change (DECC) should work closely with other departments, and particularly the Office for Civil Society, to develop a Community Energy Strategy. The Office for Civil Society, based in the Cabinet Office, was established to make it easier to run a voluntary group or social enterprise; to get more resources into the sector; and to make it easier for such groups to work with the state. Given this mandate, it could be tasked with working with DECC to support CCE. The Department for Environment, Food and Rural Affairs (Defra) has responsibility for encouraging individuals to adopt greener behaviours, an aim which most CCE schemes share.

In Scotland, Wales and Northern Ireland, the devolved administrations should work with the UK government to support CCE, drawing on experiences from successful schemes such as the Boyndie Wind Farm Co-operative in Scotland and Bro Dyfi Community Renewables in Wales.

We call on the government to do the following:

1. Provide leadership

Commit to a dramatic increase in CCE with national targets

Recognising its potential in meeting UK energy goals, by saving energy and creating a secure, clean and affordable heat and electricity supply.

The government needs to acknowledge the significant potential of CCE to contribute to UK energy goals. The success of energy co-operatives in other EU countries gives an idea of the scale possible in the UK. It should make clear that the needs of CCE schemes will be considered in the design of energy policy and markets. A top level commitment to increase community energy dramatically should be accompanied by the measures below, which provide practical support.

Promote the community approach to energy

Creating a national campaign for community ownership as the route to increased community engagement and acceptance.

The Government should promote community ownership as the route to increased community engagement and acceptance. This entails moving away from the notion of 'community benefit' towards community ownership.

Community benefits can include varying degrees of financial, environmental and social benefits, often accounting for a tiny fraction of the profit being generated by the development. Community ownership, however, ensures total control and the retention of maximum benefit for the community. Part ownership also ensures greater control than 'community benefit'.

Community ownership also helps to reassure communities that development is not being foisted on them by large unaccountable energy generators via processes over which they have little control. Rather they have the control to ensure issues such as location and size of development are appropriate for the environment and local community.

We call on the UK Government, devolved authorities and local authorities to promote the concept of community ownership of renewable energy and energy saving schemes.

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 a clearly defined offer for communities to be supported by Government and its agencies from creation, through the planning process and once they are up and running to thrive.

The quantity and complexity of administration required for energy generation projects is often overwhelming and out of proportion to the size of the scheme. Working to streamline this process would reduce costs and encourage more schemes. The government should bring together all those involved, to agree a standardised process.

This process would set out the steps that projects will be asked to follow, and the information required of them. Ofgem, the Environment Agency, Natural England, the Department for Communities and Local Government, the devolved administrations (for planning and other devolved issues), Distribution Network Operators, banks and other major funders should all be involved. For UK-wide matters, the Office for Renewable Energy Deployment could convene such a process; in Scotland, the Forum for Renewable Energy Development would be a good forum.

Wherever possible, there should be standard models of documentation that can be used by all regulators and funders. The government and its agencies should also agree formal service standards for CCE, guaranteeing response times and support available, to reduce uncertainty.

For planning, the system should be locally accountable, strategic and considerate of landscape capacity. Government should ensure that local communities feel genuinely able to have an influence through the planning system to locate renewable energy applications in the right places.

The new National Planning Policy Framework for England asks planning authorities to "support community-led initiatives for renewable and low-carbon energy", which is a very welcome step forward. To achieve this, locally agreed energy targets, based on a land capability assessment and capacity analysis to make sure targets are appropriate to place, could be set within local and neighbourhood plans. Strategic sites which are central to delivering the local planning approach for decentralised energy can also be allocated in the local plan.¹⁸

Introduce co-ordinated advice and support services

Endorsed and funded by government but run by independent experts covering energy efficiency and renewables

There are considerable administrative and legal hurdles for community energy to overcome. This increases costs, time and complexity, and co-operatives report that it is a significant problem. Groups depend on informal support from other groups who are already established, or they learn as they go along. Legal issues are a particular stumbling block, with basic legal documents and advice often costing disproportionate amounts.

The success of Energy4All in sharing expertise and learning between co-operatives is impressive. Other initiatives, including Shareenergy, Carbon Leapfrog, The Co-operative Enterprise Hub and the Low Carbon Communities Network all show the value of such advice in getting schemes established. However, there is no central, co-ordinated source of advice and support in England, Wales and Northern Ireland.

These governments should look at Scotland's Community and Renewable Energy Scheme (CARES) as a starting point and promote and fund a similar function for community energy. CARES has been run by Community Energy Scotland, an independent Scottish charity and membership organisation, since 2007. They have worked with more than 750 community groups, helping bring forward over 600 renewable energy and energy efficiency installations, including a number of joint ventures between communities and commercial partners.

A service should:

- be run by an independent agency or network of agencies who are already active in the field, rather than being run by the government itself;
- provide person to person advice, rather than just an online resource;
- develop shared templates and protocols, particularly to cover legal and financial procedures, similar to the conveyancing system for property law;
- consider a mentor scheme, whereby a successful project is paid a fee to provide advice to a newer start-up;

- provide networking and development opportunities for established CCE schemes to ensure that they continue to grow and build on success to date.

Such a function would require a small amount of government funding. However, it would provide very good value for money, as it would help greatly in reducing the costs associated with establishing projects. Recipients of advice could enter into an agreement whereby they paid for advice received once their project began generating revenue. Groups whose projects did not come to fruition would not need to pay.

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.

Energy generation is a regulated market: policy and legislation has a very significant impact on the financial viability of energy generation. Although the government can use policy to achieve the energy outcomes it needs, it has not looked systematically at a framework of incentives for CCE, as distinct from large scale commercial generation at one end of the scale, and individual household generation at the other.

There is a danger that the government's new proposals for Electricity Market Reform, whereby Renewables Obligation Certificates will be phased out and replaced with new long term contracts (Contracts for Difference), will damage future prospects for CCE. Future arrangements should ensure a sufficient level of return, certainty and stability. CCE schemes do, of course, provide community benefit, but they need to provide a reasonable rate of return to be considered a viable investment proposition and attract investment capital.

There is a particular need for finance for the early phase of projects, up to the point of a share offer, so the recent announcement of investment by Big Society Capital into FSE Group's Community Generation Fund for disadvantaged communities wishing to establish CCE schemes is a very welcome first step. The Government should also extend the Community Investment Tax Relief to encourage investment into CCE schemes in the most disadvantaged areas of the country.

The following would greatly help the financial viability of CCE schemes:

Support through the Green Investment Bank (GIB)

GIB funding would act as a stimulus to encourage mainstream banks to invest. A separate paper, commissioned by The Co-operative Group, looks in detail at how this could work.¹⁹ It suggests three potential interventions:

- provision of junior debt to leverage investment from the mainstream commercial banks;
- using the GIB to establish framework agreements with suppliers to drive down capital costs;
- establishment of a development fund to underwrite a share of pre-development project risks.

Finance availability

GIB should work together with Big Society Capital to ensure that finance will be available for CCE projects at all scales and for all socio-economic groups, especially community groups in deprived areas. This could include a loan guarantee fund for community energy projects, which are often unfamiliar to commercial banks and so rejected for credit.

A specific Feed-in Tariff

We welcome the Government's introduction of a Community FiT. We believe that there is a strong case for an enhanced FiT, in recognition of the wider benefits of CCE schemes and the additional costs that they incur, such as higher costs of capital, due to banks not yet financing the sector significantly, and the costs of community building and engagement. A separate paper sets out how such a scheme could work.²⁰ The enhanced tariff should be available to Community Interest Companies, industrial and provident societies, Northern Ireland IPSs, registered charities (and their wholly owned subsidiaries) and Scottish Charitable Incorporated Organisations. Enhanced support for CCE schemes could also be offered through the Renewable Heat Incentive.

Review and investigation

A detailed review of the impact of Electricity Market Reform (EMR) on mid-sized CCE schemes (those generating around 5MW) is needed along with investigation of specific support mechanisms for CCE as part of the EMR process.

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.

Community groups, including established renewable energy generators, have a unique ability to play key roles in raising demand, delivering retrofits and investing in Green Deals. They have trusted links to the community to raise support especially from the fuel poor and hard to reach groups. They can also work in consortia with local installers to deliver surveys and retrofits, achieving economies of scale that are beyond the level of individual households. They have proved that they can raise substantial amounts of social finance for renewable energy: this can be achieved in Green Deals as well.

Involve local authorities

Using a pilot programme initially, to develop models of co-operation between local authorities and CCE organisations.

In countries with a high proportion of community and co-operatively owned energy, it is often local government or municipalities who act as the catalyst or co-ordinator. This is the case in Sweden, Denmark, Germany and Canada.

Involving local authorities is particularly important to achieve significant scale, as community groups may lack the skills, expertise and access to finance needed for medium-scale projects. Many successful projects in the UK have had significant backing and support from local authorities, parish and town councils.

DECC and the devolved administrations should work with 'pathfinder' local authorities to develop models of co-operation between local authorities and CCE organisations.

Encourage partnership with commercial developers

Investigate ways of incentivising energy project developers to work with CCE organisations.

The government should investigate ways of incentivising energy project developers to work with communities through the establishment of energy co-operatives, for example giving local people the chance to invest in a scheme. There are commercial developers, such as Falck Renewables, who offer this to communities, but it is not yet a widespread model. This would result in considerable expansion of community ownership and could help to ease tensions over planning for wind energy. The government should initiate a process to bring together commercial developers with representatives from the co-operative sector to look at incentives for shared ownership.

We will work with Government to make this happen

The current public policy agenda already includes policy measures that could significantly contribute to scaling up CCE if the government gives it due consideration. These include the Green Deal, Electricity Market Reform, the Renewable Heat Incentive, FITs and the Green Investment Bank.

Together as a national Community Energy Strategy, the proposals outlined in this manifesto would bring about a dramatic increase in community energy which, in turn, would help the UK to meet its goals for renewable energy, carbon reduction and a strong, vibrant civil society. We are ready and willing to continue to work with government to make it a reality and achieve our vision.

Notes

Reference to examples of community energy projects in this manifesto does not constitute the CEC's or its member organisations' endorsement of the projects.

1. *The potential for the Green Investment Bank to support community renewables*, Camco and Baker Tilly for The Co-operative Group, December 2011 pp 3-4
2. www.decc.gov.uk/assets/decc/11/stats/5707-decc-public-att-track-survey-wave1-summary.pdf
3. David Toke, 2005. <http://ideas.repec.org/a/pio/envirc/v23y2005i3p361-374.htm> *Are green electricity certificates the way forward for renewable energy? An evaluation of the United Kingdom's Renewables Obligation in the context of international comparisons*. Environment and Planning C: Government and Policy, Pion Ltd, London, vol. 23(3), pages 361-374, June.
4. *The potential for the Green Investment Bank to support community renewables*, Camco and Baker Tilly for The Co-operative Group, December 2011 pp 3-4
5. *Feed-in Tariff (FIT): Annual report 2010-11*, Ofgem, December 2011
6. www.bis.gov.uk/cicregulator/cic-register
7. [www.co-operative.coop/corporate/Press/Press-releases/Banking-Group/The-Co-operative-Bank-finances-UKs-largest-community-owned-wind-farm-/](http://www.co-operative.coop/corporate/Press/Press-releases/Banking-Group/The-Co-operative-Bank-finances-UKs-largest-community-owned-wind-farm/)
8. See, for example, *Seeing the light: the impact of micro-generation on the way we use energy*, Sustainable Consumption Round Table, October 2005
9. *UK renewable energy roadmap*, DECC, July 2011
10. *The potential for the Green Investment Bank to support community renewables*, Camco and Baker Tilly for The Co-operative Group, December 2011 pp 3-4
11. *National Planning Policy Framework*, Department for Communities and Local Government, March 2012
12. www.decc.gov.uk/en/content/cms/news/pn12_029/pn12_029.aspx
13. www.bigsocietycapital.com/
14. *Energy Wales: a low carbon transition*, Welsh Government, March 2012
15. www.communityenergyscotland.org.uk
16. www.scotland.gov.uk/News/Releases/2012/03/renewableenergyinvestmentfund22032012
17. *Community energy in the UK: a review of the research literature*, Sabine Hielscher, Community Innovation for Sustainable Energy, University of Sussex, www.grassrootsinnovations.org
18. *The Planning and Climate Change Coalition's – planning for climate change, guidance for local authorities*. www.tcpa.org.uk/data/files/PCC_Guide_April_2012.pdf
19. *The potential for the Green Investment Bank to support community renewables*, Camco and Baker Tilly for The Co-operative Group, December 2011
20. *Co-operatives UK and The Co-operative Group's submission to the Feed-in Tariffs Review*, December 2011



Co-operatives UK Limited
Holyoake House
Hanover Street
Manchester M60 0AS
Tel: 0161 246 2900
www.uk.coop

Published 2012



Scan to download or
visit [www.uk.coop/
energymanifesto](http://www.uk.coop/energymanifesto)