

# 'Community Energy in the UK'



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# What is community energy?

- It is a broad term.....
- Community owned renewable energy assets
- Bring profits and benefit back into the community
- Some level of engagement and active participation
- A focus for:
  - Behaviour change
  - Community resilience/ engagement/ cohesiveness
  - Seed for further community activity
  - Education
    - Energy efficiency/ renewable energy

# Community energy landscape, *past*, present & future

- Cooperative movement, using Industrial Provident Society rules to raise capital to invest in renewable energy projects:
  - Community sets up a cooperative enterprise – IPS now CBS
  - Community co-op raises funds via community share issue (not FCA accredited)
  - Returns go to the co-op, who distribute a % to their share owners
  - Profit remains in the co-op for community benefit projects
- Huge growth in share issues over last 4 years
- Pioneers:
  - **Baywind** – 1997 – Energy4all
  - Awel Aman Tawe



# Community energy landscape, past, *present* & future

- In UK 0.3% of RE owned by community – Germany 46%
- Now there are 5000 community energy groups in the UK
- Scotland – Community Energy Scotland
- The launch of Community Energy England June 2014:
  - Trade body:
    - Lobbying / policy influence
    - Pre-election manifesto
  - Network of collaborators:
    - Sector groups
    - Regional areas
    - Match making groups for peer support
    - Repository of practical knowledge



# Community energy landscape, past, present & *future*

- Use Germany's success in community energy as a yard stick
- Greg Barker's big 6 - 60,000 energy suppliers
- Community Energy Strategy states potential for up to 3GW of community energy
- Potential for direct supply of electricity to consumers
- Some Municipalities in Germany have bought back their Distribution networks

# Why do we need community energy?

## DECC's community energy strategy:

- 1. Investment** - 'Communities playing a greater role in the UK energy system and realising financial awards'
- 2. Engagement** - Increased engagement can translate to:
  - Greater understanding
  - Less opposition
  - Quicker, cheaper development process
- 3. Support** - 'It is one of the key ways to create step-change to increase support to drive the renewables industry forward.'

# How do we increase community energy?

- Renewables industry to substantially increase shared ownership
- By 2015 it should be the norm for communities to be offered the opportunity of some level of ownership by commercial developers
- If the Secretary of State feels that by the end of 2015 progress is limited, legislation to require developers to offer an ownership stake will be brought in
- Taskforce set up to identify measures to increase community ownership, both wholly and partially



# How do we increase community energy?

- Developers can seek a community collaborative partnership
  - *Equity/ revenue share*
    - Community Co-op buys a percentage share of a project
  - *Community benefit package*
    - Co-op is a vehicle to receive ‘Community benefit’ payments that are currently only for wind at £5000/MW, but likely to be rolled out to all onshore renewable projects.
  - *Split ownership*
    - Community enterprise owns a proportion of the development’s assets
  - *True 50/50 Joint Venture*
    - Development 50/50 JV with shared consents etc between developer and co-op
  - *Crowdfunding*
    - Abundance generation/ Ethex – debenture loan from the general public via crowd funding platform

# How do we increase community energy?

- How can developers work with communities?
  - Team up with a local community energy group
  - What if they don't have one?
  - Launch of CEE – how can they help?
    - They can signpost developers to community groups?
    - They can liaise with groups on the ground to enable the uptake of the opportunity.
  - REA portal – Market place, where communities can seek advice and partnership opportunities.
  - Crowdfunding platform

# Benefits of community investment

- **Investment:**
  - Community renewable energy projects are popular investments for the community
  - Wide scale success in raising finance from Community Share issue – Halton Lune Hydro >£1million
  - FCA rules cap investment returns, typical returns are between 3-8% for investors
  - Securing community investment can be less expensive than other pre-construction debt finance
  - Community investment can be considered pre or post construction
- **Planning** – planners look favourably on community involvement
- **DECC** have a commitment to progressing community energy, recycling FIT benefits to local communities

# Benefits of community investment

- Community JVs could open up projects that don't offer sufficient returns for commercial investors
- With FIT degression and smaller margins, this route to development could be more appealing to developers?
- Crowd funding platforms such as abundance generation and Ethex open new streams of investment for both communities and developers

# Benefits for communities investing in Hydro projects

- Communities may consider a JV:
  - Project gets done in less time, with less risk to the community than the community undertaking the project themselves
  - Judging by the success of many community share issues, people are comfortable to invest in RE:
    - Ethical
    - Community benefit pot to address local issues
    - Local ownership of asset
    - Returns over 20 years
    - EIS/SEIS
    - Return on investment 3-8%

# Social Impact

- Growing tide of ‘social impact investment’
  - The Social Stock exchange (announced by PM June 2013 not yet ‘live’)
    - connects social impact businesses with investors looking to generate social or environmental change as well as financial return from their investment.
  - There is a move from investors (pensions and personal) towards ‘Divesting’
  - Crowdfunding platforms allow personal investors to review and invest in projects
  - Pension fund changes
  - Personal Investment Pension plans

# Conclusion

- DECC want a convergence between RE developers and communities
- Shared ownership is being encouraged although it is likely only be applicable to projects larger >£1million
- CEE can act as a match maker and enabler for developers to work with communities
- Developers should see community involvement/ investment as a great opportunity for local investment and wider benefits

# Many thanks

## Any Questions....?

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