February 2025

Community Energy England representation to the Treasury for the Spending Review 2025

NB recommendations in the text are in **bold blue text**

Introduction to Community Energy England

1. This is a response by Community Energy England (CEE), which represents more than 320 community energy and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings, to helping households combat fuel poverty.

2. Our vision is of a thriving community energy sector integrated into and truly powering a fair, zero-carbon energy system.

3. Community energy refers to the delivery of community-led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.

4. The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community and social benefit.

5. We believe that these motivations should be shared by all working on policy and resourcing for the urgent 'system change' necessary for a thriving future. We are grateful that this government understands the vital importance and power of putting people at the heart of the energy transformation.

Summary of Representation (max 250 words)

1. Community and local energy, as Labour's Clean Energy Mission recognised, *"is essential to delivering clean cheap energy by 2030… reducing pressures on the transmission grid and strengthening local support - two of the biggest obstacles to the renewables rollout."* It engages people as active participants in the energy transformation and is key to inventing and delivering at scale the local solutions.

2. We welcome the Local Power Plan but to make it a reality, at this Budget we recommend that the government:

2.1. **Apply risk/opportunity analysis to evaluating funding for potentially transformative policy.**

2.2. **Allocate at least 50% of the £8.3 billion capitalisation for Great British Energy** and if necessary **allocate separate ring-fenced discretionary funds help get money out of the door early** to ensure continuity and kickstart the urgent energy transformation.

2.3. **Allocate at least 50% of the £3.3 billion earmarked for the Local Power Plan in this spending review.**

2.4. **Allocate at least 50% of the £6.6 billion funding promised for the Warm Homes Plan.**

2.5. **Coordinated funding for low-carbon heat - a Rural Gigawatt voucher scheme.**

2.6. **Reinstate EIS and SEIS tax relief eligibility to community energy generation projects** to help projects kickstarted by the Community Energy Fund and the Local Power Plan schemes to actually raise capital.

2.7. **Implement business rate reliefs and incentives for local energy action**.

2.8. **Make the 0% rate of VAT on Energy Saving Measures permanent beyond March 2027.**

2.9. **Funding for Local Area Energy Plans.**

Please see sections below for more detail and some supplementary recommendations.

(247 words)

Representation

NB recommendations in the text are in **bold blue text**

Introduction

1. The government's Great British Energy and Local Power Plan are hugely popular and powerful, as is the concept and actuality of community energy. Polling by Commonwealth shows that community energy is supported by 60+% of the population with 20+% keen to get involved. Commercial renewable energy is supported by only 42% of the population (23% in Wales).

2. This government has understood that people and communities must be at the heart of the energy transformation in order to get support for and participation in the

changes and projects that will be necessary, to localise the energy system and harness the local passion, enterprise and money to invent and deliver the replicable, beneficial local solutions that can be rolled out at scale.

3. The Climate Change Committee has warned the government many times that, *"It will not be possible to get close to meeting a net-zero target without engaging with people or by pursuing an approach that focuses only on supply-side changes...Some of the difficult decisions that will be required (...) will only be possible if people are engaged in a societal effort to reach net-zero emissions and understand the choices and constraints*" and *"the utmost focus is required from government over the next ten years. If policy is not scaled up across every sector; if business is not encouraged to invest; if the people of the UK are not engaged in this challenge - the UK will not deliver Net Zero by 2050." "People need to be brought into the decision-making process and derive a sense of ownership of the Net Zero project."* (Sixth Carbon Budget and elsewhere).

4. The government has proposed transformational policy to address the above particularly in the Local Power Plan, and given the seriousness of the climate crisis this policy needs to be actioned as soon as possible.

5. *'Scaling up municipal and community energy'* is a key remit of Great British Energy and key to achieving net zero. In recognition of this both should be mentioned when the Chancellor is speaking about climate action, energy and GBE.

6. The government has outlined several ambitions on energy and climate action:

    6.1. Clean power by 2030

    6.2. The biggest expansion of community energy in British history

    6.3. Double the size of the cooperative and mutual sector

    6.4. Develop up to 8GWs of cheaper, cleaner, locally-owned power by 2030

7. The government has a very short window of opportunity to upscale climate action to meet these goals. Projects that will deliver what is needed to reach these targets must be funded soon to realise their benefits and build momentum towards 2030.

8. Community energy has projects and business models that are ready to upscale at pace if the right conditions are put in place. Crucially, community energy can deliver effective projects that simply would not happen if they were outsourced to the private sector or if local authorities were left to deliver them alone.

9. These additional, community-led energy projects, also come with a wide range of co-benefits, many of which are stated policy aims in the government's Clean Power

Plan and Great British Energy founding document and many are only delivered by community energy.

9.1. Up to 13 times the social benefit of equivalent commercial projects[1].

9.2. Leverage of committed community capital which otherwise might not be invested, certainly not into decarbonisation, at a ratio to at-risk development funding of up to 100:1.

9.3. Significant local economic benefit, local job, skills, capacity and local wealth creation, increased local resilience.

9.4. Significant returns to the exchequer on development funding including, VAT, income and corporation tax, business rates (to local authorities).

9.5. Joined up holistic 'Smart Local Energy Systems' (eg a wind turbine, making viable a town-scale heat network, also delivering retrofit, education,) can deliver 'consumer demand flexibility' which will 'reduce the pressure on the grid' so reducing costly grid reinforcement (and potential overbuild). It can also deliver cheaper bills and alleviate fuel poverty as consumers access cheaper local renewable energy. These are all stated government objectives.

9.6. Community energy increases public understanding of, consent for and participation in the net zero project, by seeing local, practical, beneficial decarbonisation projects which they can get involved in. Barriers to behaviour change and technology adoption are best overcome by personal interactions with trusted local people.

10. Community energy has a proven track record of scaling fast (the sector doubled in size every year between 2014 and 2017 before supportive policies were cancelled and highly unfavourable policies were introduced)

11. Labour has set out a credible plan to unleash this growth again. The **Local Power Plan**, if implemented swiftly and effectively, could be **transformative** not only for the community energy sector but for the UK's energy sector as a whole.

The urgent need for transformative policy

12. Given the urgency of the climate crisis, reflected in the ambitious government targets, we need transformational policy. The Local Power Plan is probably the most transformational of the government's current policies, empowering local people, enabling system change and delivering community, social, economic and climate benefit from the process.

[1] Community Renewable Electricity Generation: Potential Sector Growth to 2020 - GOV.UK

13. The Treasury has signed off transformational policy in the past such as the Contracts for Difference scheme which took Britain from a climate laggard to a leader, from 2.9% of renewables energy to nearly 50%.

14. This short article in the Conversation argues: An energy revolution is possible – but only if leaders get imaginative about how to fund it. It implies we need to recalibrate how we evaluate what we fund. It cites the Risk-opportunity analysis for transformative policy design and appraisal research carried out by the Economics of Energy Innovation and System Transition (EEIST) program (www.eeist.co.uk), funded by BEIS. This shows that the CfD scheme would not have been funded using a standard cost/benefit analysis policy evaluation approach. It advocates a Risk/Opportunity analysis: vis what are the risks of doing this and what are the opportunities it might unlock and the knock-on opportunities unleashed by those. And given those potential opportunities what is the risk of not doing the intervention?

15. The potential prize of committing serious finance to getting community energy growing exponentially again is huge. The opportunity cost of failing to catalyse this vital sector is as big as failing to achieve net zero.

16. We note that yesterday the Public Accounts Committee criticised the government's £21.7bn plan to support Carbon Capture Usage and Storage as unlikely to deliver results or benefits for consumers or government from the investment. Community energy, by contrast, dedicates all its profits to benefiting communities and doing more decarbonisation. Community energy's 'Smart Local Energy Systems' will reduce bills for consumers as well as ultimately reducing system costs charged to bills by reducing unnecessary re-inforcement to the electricity grid. Tried and tested technologies are combined in innovative, locally appropriate ways to increase efficiency. (See the Net Zero Terrace Streets project, pioneering ambient loop distributed heat network, along with retrofit, smart energy storage and rooftop solar, provided to unable to pay communities at no additional up-front cost.) These models can then be adapted and replicated by communities across the country. Community energy's fuel poverty work delivers at least £9 of benefit for every £1 invested and its energy efficiency and retrofit work saves carbon permanently for a single investment.

Local Power Plan

17. The Local Power Power Plan can be a transformative policy initiative for the UK's energy system. If it achieves this aim, its success will be as a result of effective allocation of the funds and the implementation of a small number of other enabling policies. This must happen swiftly if the full benefits are to be felt by 2030. Therefore, the Treasury should **allocate at least 50% of the £3.3 billion earmarked for the Local Power Plan in this spending review.**

17. The community energy sector has in the past demonstrated that it can grow exponentially with the right policy interventions. However, it can also be stymied by inconsistency and uncertainty in the policy and funding landscape. In order to achieve “the biggest expansion of community energy in British history”, we must build on the existing growth, and not stall it at this key stage.

18. We expect that DESNZ will extend the Community Energy Fund beyond March 2025 (and expanded it, in line with LPP UK-wide remit, to enable communities in the devolved nations to benefit) to ensure a smooth transition and to avoid a loss of momentum in community energy growth whilst the Local Power Plan mechanisms are put in place. It has funded some 170 projects to date.

19. However the Community Energy Fund is already hugely oversubscribed with around 100 projects which have been deemed worthy of funding but are stalled because the current Community Energy Fund has run out of money in certain regions.

20. The Treasury should put in place emergency discretionary funds for the year 2025/26 to enable interim measures such as the Community Energy Fund to be adequately funded in the event that allocations from the Autumn budget are not enough.

21. **The Local Power Plan must fund community energy to deliver projects that go beyond pure energy generation (following the example of the Community Energy Fund).** For a successful transition the energy system must be treated as a ‘whole system’. Community energy has pioneered innovative ‘Smart Local Energy System’ business models connecting generation, efficiency, advice, heat, flexibility - intelligently joining up local supply with local demand. The Clean Power 2030 ambition will not be achievable without huge ramping up of these people-connected projects.

Great British Energy

22. The allocation of £25m set up and £100m capital to GBE in the Autumn budget was disappointing given that the National Wealth Fund can only allocate in £25m chunks (£5m to local authorities) and the manifesto pledge was for an £8.3bn capitalisation of Great British Energy. The Local Power Plan was aiming to deliver up to £400m a year (in low interest loans) to communities and up to £600m in grants for local authorities. This was to deliver climate action ambitions that are widely supported by the electorate.

23. **The Treasury must allocate a proportion of the £8.3 billion capitalisation for Great British Energy commensurate with the Spending Review period (3 years). This allocation should be at least 50% of the £8.3bn.** The allocation should make clear

how much will pass through to project delivery and provide targets for how much it will crowd in of additional private investment.

Likely effectiveness and value for money

24. Failing to fund the Local Power Plan puts the possibility of achieving net zero in danger. To do so empowers local community leaders who are also energy experts and powerful entrepreneurs to realise opportunities that are the future of our energy system, local, holistic, smart, flexible, balancing local supply and demand to reduce the cost of energy and of the investment needed to transition the system. It also delivers multiple social and community benefits enumerated elsewhere in this Representation.

25. All this for comparatively little investment from government.

Revenue implications for the Exchequer

26. The government has committed to achieving clean power by 2030. This will require substantial investment to ramp up to this goal (as the government has outlined). Investment made in community energy not only brings us closer to this goal, but brings with it an array of co-benefits which can save the Treasury money later on.

27. If the Local Power Plan invests in projects beyond energy generation alone, innovative community energy business models can encourage demand side flexibility, reducing the need for costly upgrades to the grid. Community-led energy advice, heat and retrofit services help people to stay warm over winter, a crucial initiative for government to support given the cuts to the winter fuel allowance. Low carbon heat and retrofit work delivered by community energy also makes significant contributions to this aim. 'Smart Local Energy Systems' that join up some or all of these initiatives under one umbrella efficiently deliver on several government objectives for comparatively little investment (see later section on heat and retrofit for more).

How it supports growth

28. Community energy reinvests money in local schemes and delivers up to 13 times the social benefit of equivalent commercial schemes, stimulating local economies. If the Local Power Plan is delivered in conjunction with tax relief, the effects and other co-benefits for jobs, skills and health, would be realised (see later section for more).

Wide macroeconomic implications

29. Community energy is a cornerstone of the energy transition partly because it presents probably the best opportunity for creating genuine ownership of and participation in "the Net Zero project", without which it will fail, as the Climate

Change Committee warns[2]. Failure to transition will compound the 'market failure' of climate change identified by Sir Nicholas Stern and, as 'the economy is wholly owned subsidiary of the environment' (Herman E Daly), would be catastrophic for the economy.

30. Investing in social and community businesses is a major lever for generating community wealth, benefitting left behind people and communities and catalysing system change. Enabling community energy with tax relief (see later section here) will make a major contribution to achieving net zero and supporting local economies.

31. **More reasons for enabling social business in general**: Social businesses bring even more benefit than SMEs in general, often being not for profit, and with a dedicated social purpose. There are over 100,000 social enterprises in the UK. The sector has shown that business can combine profit with purpose, social responsibility with financial efficiency, decarbonisation with innovation. It contributes £60bn to the economy and employs 2m people. It grew nine times faster than the economy in general, doubling employment in the last decade and doubling the number of social businesses that are now exporting. Social enterprises were set up in record numbers during the pandemic, many responding directly to the crisis. (Community energy mobilised hundreds of thousands of pounds in a very short time for crisis response.) 40% employ someone with a disability, one in five are working in the most deprived communities, nearly half of all social enterprises are run by women. One in three have invested in energy saving measures in the past year, three times the level of other SMEs. Many social enterprises have pioneered putting planet and purpose at the heart of their business model and have shown that it is a recipe for success. Trillions of ESG funds globally are seeking a home but there are not enough socially and environmentally responsible businesses to invest in. Institutional investors and pension funds are coming under increasing pressures to divest from fossil fuels and invest for positive outcomes[3].

Sectoral impacts

32. The Local Power Plan, if implemented swiftly and effectively, could elevate the community energy sector to become a major driver of the UK's net zero transition. The innovation, collaboration and energy solutions that are not offered by

[2] " If policy is not scaled up across every sector; if business is not encouraged to invest; if the people of the UK are not engaged in this challenge - the UK will not deliver Net Zero by 2050. …people need to be brought into the decision-making process and derive a sense of ownership of the Net Zero project." https://www.theccc.org.uk/publication/sixth-carbon-budget/

[3] Evidence from https://www.socialenterprise.org.uk/

commercial actors could see a massive expansion bringing with it benefits for local communities and government. Denmark and Germany offer international examples of countries with much larger community energy sectors than the UK's and show it can be done.

Distributional impacts:

33. Many projects undertaken by community energy organisations simply would not happen if left to commercial actors or local authorities. They deliver tangible benefits to local communities and organisations but are too small scale to be of interest to other types of organisations.

Administrative and compliance costs and issues:

34. The Local Power Plan would be administered by GB Energy.

Legislative and operational requirements:

35. The Local Power Plan is outlined in GB Energy's founding statement. The GB Energy Bill is currently passing through Parliament, with a statutory commitment to supporting 'projects involving and benefiting communities.'

Environmental impact:

36. Positive environmental impact will be significant by increasing local renewable energy projects. This will reduce carbon and other pollution from fossil fuel generation, reduce the need for costly reinforcements of the electricity grid and the demand for new large, inefficient centralised fossil energy installations and transmission systems. It will also speed up the transition to a local, flexible, smart energy system by mobilising more local solutions. This is a key way to reduce demand, enable greater uptake of variable renewable technologies, balancing each other locally, and reduce dependency on standby fossil fuel generation.

Enabling policies

Alongside the main funding for the expansion of community and municipal energy there are a number of enabling policies that are needed. Some of them are existing government policies, some are not yet written into government policy but will be needed nonetheless. All will need funding to a greater or lesser extent.

Warm Homes Plan funding

37. Allocate a commensurate proportion (at least 50%) of the £6.6 billion funding promised for the Warm Homes Plan.

38. The government promised to “Jumpstart the national Warm Homes Plan” in the first year. If it is to retain its rightful place at the forefront of the government’s policies for energy transformation and benefitting people, the jumpstart needs a significant pledge of money.

39. **Funding must be accessible for community energy organisations so they can offer pathways for all community members to begin to engage in retrofit. This must include funding for low-cost, low-tech, high-impact ‘draught-busting’,** the Cinderella sister of whole-house retrofit and ‘energy advice’ - that gets little or no policy or financial help. It saves money and carbon, keeps people alive and healthy, and is often the starting point of a deep retrofit journey. See the Cold Homes Energy Efficiency Survey Experts (C.H.E.E.S.E Project) referenced in the value for money section below.

40. The previous governments’ (mostly failed) schemes targeted the able to pay. **The Warm Homes Fund must ensure it helps left behind and unable to pay communities as well.**

41. The reduction in Winter Fuel Payments has been unpopular. **The government should make a strong pledge of a proportion of the Winter Fuel Payment savings to address the root causes of the problem in a long-term way by funding the Warm Homes Plan.** This sends the message that government planning is strategic, systemic and long-term - saving money on yearly ‘sticking plasters’ grants to treat the symptoms, in order better to target the cause of the problem. Since 1997 the Winter (Fossil) Fuel Payments have cost between £50 and £70 billion which could have upgraded many of the most inefficient homes permanently. “Cheaper energy bills **permanently**, with warm, future-proofed homes” (Clean Energy Mission) is a better offer than remaining dependent on government hand-outs to afford to live in what will often still be a cold home.

42. **Making 0% VAT on Energy Saving Measures permanent is key to successfully ramping up retrofit.** See below.

Likely effectiveness and value for money

43. Real progress on retrofit will have many knock-on benefits, including reducing dependency on gas imports and increasing employment. Many credible reports[4] (including this report from the New Economics Foundation created while Miatta Fahnbulleh MP, current minister in charge of energy efficiency and retrofit, was Director) calculate that retrofit brings huge gross value added benefit, **including GDP growth and tax returns to the Treasury**. Reducing fuel poverty will also increase health and well-being, thereby reducing health and social costs, improving outcomes,

[4] Including from IPPR, the Energy Efficiency Infrastructure Group, PWC, Architects Journal

and releasing energy bill savings to be spent into the real economy. Retrofitting also preserves property values by future-proofing them and reducing running costs.

44. Retrofit, as the Climate Change Committee has pointed out, is essential to achieving net zero. It is also win, win, win and for those living in the millions of leaky, hard to heat homes, can represent the equivalent of a 2% income tax cut as well as huge cost saving on health and many wellbeing co-benefits. It can also yield £47bn of net present value to the UK economy, levering large amounts of private money to future-proof the UK's most valuable physical assets. Energy efficiency and retrofit is an essentially local activity which community energy is already delivering, often funded out of income from existing projects. One of our members, the Cold Homes Energy Efficiency Survey Experts (C.H.E.E.S.E Project), calculate that £100 of 'draught-busting' materials, installed scientifically by volunteers, following a £250 thermal imaging survey can save up to 30% of energy bills in an old draughty home. This can be many hundreds of pounds saving in the first year alone. A mass retrofit programme would significantly reduce energy bills and carbon emissions for the long term.

Coordinated funding for the low-carbon heat transition that enables community energy and targets the left behind and unable to pay communities.

45. **Fund a Rural Gigawatt voucher scheme that emulates the success of the Rural Gigabit scheme, to encourage community heat/retrofit/flexibility Smart Local Energy System projects** in areas that are of no interest to the large corporates.

46. There are multiple siloed funds for doing bits of the future low carbon heat landscape. This does not encourage projects which are trying to treat the energy system holistically and combine many complementary elements in one solution. Many of them are not available to communities, have excessive thresholds or are highly competitive or bureaucratic, often with funding criteria which exclude key stakeholders who should be recipients of support. Chris Skidmore's Net Zero Review recommended "wholescale simplification of local net zero funding, including consolidation of different pots and a reduction in competitive bidding".

47. **The renewable heat incentive should also be reopened** to give more households access to upgrades that will help them to protect against the kind of future fossil fuel price shocks that have driven up energy bills over the past two years.

Tax Relief

48. **Reinstate EIS and SEIS tax relief eligibility to community energy generation projects** to help projects kickstarted by the Community Energy Fund and the Local Power Plan schemes to actually raise capital.

49. In order that the government's pledge of money in the Local Power Plan to scale up community energy can produce the results we all desire (up to 8GW of new power, in up to 20,000 local projects, owned by up to 1 million new energy owners and generating local wealth and good jobs), community energy organisations will have to raise many hundreds of millions of investment in a very short time. In a time of inflation, high interest rates, rising household and renewable energy supply chain costs, this is becoming increasingly challenging.

50. The early exponential growth of community energy was hugely facilitated by tax relief (the Enterprise Investment Scheme and the Seed Enterprise Investment Scheme) which derisked investment especially for the slightly larger investors. Eligibility for EIS and SEIS was withdrawn for 'energy generation' in 2015 and from SITR, which was meant to replace them, in 2017. This was on the grounds that, in the era of the Feed in Tariff, *"Certain activities are excluded from the scheme as they risk diverting finance away from higher risk social enterprises struggling to access finance. Energy generation and storage are excluded from the scheme because it entails lower-risk, asset-backed activities often benefitting from a predictable or guaranteed income stream."* Since the ending of virtually all support for community energy it has become a high-risk, low-margin investment prospect. In addition, community shares are illiquid, offer only one vote per investment rather than per share, and are not susceptible to capital gain. It does not enjoy the certainty provided to larger commercial projects by the Contract for Difference scheme. It has to compete in a commercial world whilst operating within social enterprise constraints - local focus, one vote per shareholder, low interest, long-term investments with no capital gain - and also delivering community and social benefit.

51. We would reiterate that we are not asking for a new tax relief - merely the *reinstatement* of energy generation as being eligible under the *existing* EIS and SEIS schemes.

52. If reinstating EIS eligibility cannot be achieved for this Spending Review (for practical, fiscal or cosmetic reasons which we would understand) we urge that the Treasury start now **to look into financial mechanisms, including tax relief, to make sure Local Power Plan projects can raise the necessary funds** from the community to realise the government's ambitious goals of speeding up and localising the energy transformation to clean power, creating 1 million new energy owners and engaging more people in having a stake in and control over the net zero transformation. This is

not just nice to have: the Climate Change Committee has warned the previous government many times that *"if the people of the UK are not engaged in this challenge - the UK will not deliver Net Zero by 2050… people need to be brought into the decision-making process and derive a sense of ownership of the Net Zero project."*

Likely effectiveness and value for money

53. If the absence of tax relief seriously reduces the amount of private investment in local energy schemes, this would compromise the success of the Local Power Plan, the goals of 'clean power by 2030', 20,000 local projects, 1 million new energy owners, as well as impacting on citizen participation and support for net zero, local wealth building, the amount of community benefit delivered from increased community energy activity - and ultimately tax take from other sources as a result of the sector growing to its maximum potential.

54. It will enable financially marginal community energy projects to compete with high interest saving accounts and put that money to work delivering the net zero transition and local benefit.

55. Community energy is the single most prominent investment category on social impact crowdfunding websites and so presents a unique opportunity to help fulfil the government's goal of "doubling the size of the coop economy" and encouraging activity towards achieving net zero.

56. Interest in impact investing has grown hugely. It was estimated that a segment of UK citizens accumulated more than £100bn in savings during the pandemic. If they choose to invest, many are looking for impact. Almost the only way to do *local* impact investment to benefit your own community is through community energy.

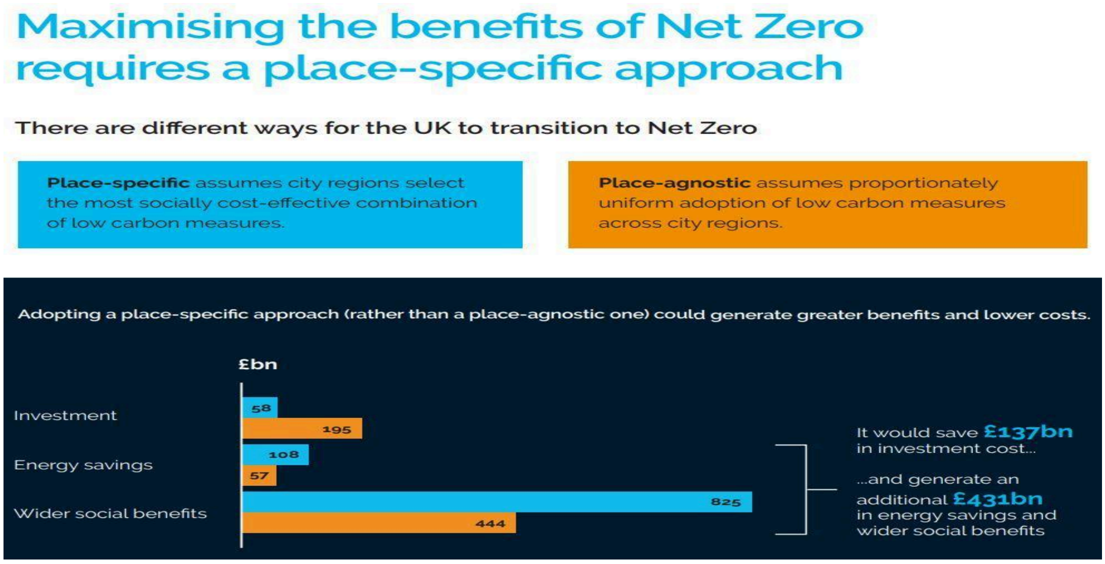
Revenue implications for the Exchequer

57. The Impact Investment Taskforce's "best estimate of project volume [from community energy] that would use SITR is £15 million per annum," SITR was allowed to end without replacement in 2023. This number is likely to apply equally to EIS and SEIS in the first year. This is likely to cost the Treasury a maximum of around £3-4m a year. This would likely ramp up as the Local Power Plan development funding kickstarts projects in 2026-27 and beyond. Alongside the significant social and community benefits generated there will be returns from VAT, corporation and income tax.

How it supports growth

58. It will mobilise a significant boost to social investment in community energy projects, a significant proportion of which investment would not otherwise have gone towards achieving net zero. Social business is extremely effective at generating benefit, local

employment and economic activity. It pays its taxes. Chris Skidmore's Net Zero Review urged the government to "empower people and places to deliver. Place-based action on net zero will not only lead to more local support but will **deliver better economic outcomes as well**." InnovateUK and PwC have also shown the benefits of prioritising place-based solutions.[5] See graphic below.

59. 

Wider macroeconomic implications

60. See earlier section.

Sectoral impacts:

61. Tax Relief for community energy would enable a hugely entrepreneurial sector that is urgently needed to build consent and participation of people and communities in the energy transformation as well as inventing and delivering the local solutions and economic regeneration. It would generate local jobs, huge community and social benefit and keep money circulating locally, all with resulting multiplier effects, including benefits to the exchequer. The Community Energy Fund has enabled the sector to become extremely active again. It will grow further and faster if enabled by the Local Power Plan especially if Tax Relief for community energy generation were enabled.

Distributional impacts:

62. It will increase returns for the larger investor but these will still be smaller than they could have got elsewhere if they were not choosing to invest for impact. Most community energy businesses cap large investment at around £20,000. The resulting

5 https://iuk.ktn-uk.org/perspectives/accelerating-net-zero-delivery-unlocking-the-benefits-of-climate-action-in-uk-city-regions/

extra growth in a sector will generate increased social and community benefits which are largely targeted towards vulnerable energy consumers. It will make projects viable that will generate decent returns for the smaller investor.

Administrative and compliance costs and issues:

63. Tax reliefs would be administered through tax returns by HMRC.

Legislative and operational requirements:

64. It would be a small rule change to existing schemes. A clear definition of community-owned and led generation already exists for other government schemes such as the Community Energy Fund.

65. Much work was done by many people at the time of the Social Investment Tax Relief consultation in 2019. See our response here which contains more detailed proposals for SITR and some subsidiary recommendations. SITR massively underperformed, despite being extended to 2023. Investment to date is significantly less than planned for when the scheme was launched. It was intended to replace EIS and SEIS when introduced but eligibility for energy generation was withdrawn in 2017 before it could do that. This would be a chance to realise the potential of Tax Relief to enable social businesses in the energy sphere.

Environmental impact:

66. See earlier section.

0% VAT on Energy Saving Measures

67. **Make the 0% rate of VAT on Energy Saving Measures permanent beyond March 2027.**

68. This is necessary to give certainty to the retrofit market which is still nowhere near attaining the government’s targets or what is necessary to achieve carbon reduction targets. People are still uncertain about what route to take and if costs jump again in 2027 just as public opinion is turning a corner, retrofit will suffer a slump. Without certainty of smooth growth suppliers and installers will not invest in building capacity and skills.

69. **Energy efficiency retrofit work should also benefit from 0% VAT** e.g. the installation of heat-pumps, insulation, solar panels, etc.

Business Rate Relief

70. **Business rate relief or full exemption for community energy** in recognition of its strong social and community benefits.

71. Charities and community amateur sports clubs can apply for charitable rate relief of up to 80% if a property is used for charitable purposes. Councils have discretion to offer 100% rate relief.

72. Community energy delivers huge and various community and social benefits and should be specifically enabled to apply for charitable rate relief and 100% discretionary rate relief. Most community energy organisations are Community Benefit Societies with a strong asset lock and no ability to distribute profits or capital gain. Others are Cooperatives or Community Interest Companies which have to report their Community Benefit annually.

Revenue implications for the Exchequer

73. In most cases the community and other benefits delivered will outweigh any financial cost to the Treasury or the local authority.

74. Community and social benefit comes in a variety of forms:

74.1. As direct funding from profits via community benefit funds (£1.5m was distributed in 2025 - one of our most challenging years ever)

74.2. As material benefits from community energy projects. In 2023 £4.4m was saved on energy bills by community energy efficiency interventions. Fuel poverty work generated at least 9 :1 social return on investment including South East London Community Energy calculating a 6:1 financial return (money saved by residents on energy bills etc) on investment over 2 years. Reduced energy bills to schools, community organisations and businesses from cheaper electricity supplied.

74.3. Pioneering reduced price electricity from local community renewables in Energy Local Roupell Park currently supplying solar electricity to social housing residents in Brixton at 6.3p p kWh compared with 24.5p capped price per unit from October 2024.

74.4. Indirect benefits to local economies. £11.7m was spent into local economies by community energy organisations in 2023. 102 new FTE jobs were created.

74.5. Agency: 76% of members and supporters of community energy organisations say their relationship with a community energy organisation helped them to get involved in other sustainable energy initiatives.

75. Community energy is now a high-risk, low-margin activity since the withdrawal of most government support and increased inflation making securing investment challenging. Reduced business rates, with the specific option of a full exemption, would help it increase viability, professionalise, scale and deliver more community

benefit and low carbon energy.

76. We also urge **business rate incentives to other businesses to work with community energy on decarbonisation and energy efficiency projects**.

Funding for Local Area Energy Plans

77. Initial funding must be provided to kickstart a national programme of Local Area Energy Planning (LAEP) as part of NESO's Regional Energy Strategy Planning (RESP)

78. The Clean Energy Missions states that the Future System Operator *"would work with regional Distribution Network Operators and devolved and local government to develop regional system plans and* ***local area energy plans*** *which link local, regional, and national infrastructure,* ***take account of characteristics of a given area and ensure that local communities have a say in the energy decisions that affect them."*** There is currently no funding for LAEPs.

79. Regional Energy Strategic Planning must be underpinned and 'ground-truthed' by more Local Area Energy Planning. Resulting collaborative projects now have a route to market via the Local Power Plan but the strategic planning from which they should arise is not funded. It is mandatory in Wales where each local authority is required to appoint an officer to coordinate. LAEPs must be a statutory part of the RESP process and must fund the work required from local authorities and community energy participants.

Likely effectiveness and value for money

80. The Energy Systems Catapult has done much work on LAEPs including showing how it is key to minimising decarbonisation costs[6].

Contact:

Duncan Law, Head of Policy & Advocacy

Community Energy England

Email: d.law@communityenergyengland.org

Phone: 07958 635181

[6] https://es.catapult.org.uk/news/local-area-energy-planning-key-to-minimising-decarbonisation-costs/

Further Information:

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals more than 320 organisations. Many of the member organisations are community energy groups, but membership extends across a wide range of organisations that work with and support the community energy sector.

www.communityenergyengland.org