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Community shared ownership: why guidance and targets are not enough

Now is the time for UK Government to use existing powers to make shared ownership mandatory

Summary: How the UK Government can accelerate community uptake of shared ownership

- 1. Making offers of shared ownership mandatory for all private developments**
2. Government-led and backed community loans
3. Mapping and early stage awareness raising of upcoming shared ownership opportunities
4. Community capacity building support
5. Capacity building support for relevant stakeholders, public bodies and agencies
6. Shared ownership opportunities spread more widely: fair shared ownership opportunities for all
7. Reconvening the Shared Ownership Taskforce

Incentive mechanisms (unnecessary if a mandatory approach is taken):

8. Shared ownership conditionality or incentives for government support
9. Community or shared ownership mandatory on all public land and buildings
10. Ownership given weight within planning and consenting processes

Further details on all of these recommendations can be found on pages 3-5

What is shared ownership?

Shared ownership is where communities take a stake in a commercially owned onshore or offshore renewable energy asset, investing in the project and entering into an agreement to share ownership of that asset with the private developer.

Community ownership and co-ownership of renewable energy assets increases the democratisation of our energy system and people's sense of responsibility for being part of it. Taking a shared ownership stake in a renewable energy project allows community groups to play a proactive role in the UK energy system and generate a valuable ongoing source of income to reinvest in the people and places in their community.

For private developers, having a community group onboard as a financial partner can [lead to a faster development process](#) by improving the perception of the project, leading to less opposition and fewer legal objections, appeals and delays. Ownership of community energy assets has also repeatedly been shown to [positively affect energy awareness and lead to decarbonisation](#) behaviours in these communities, which will be key to meeting government targets.

Why now?

To date, there are very few credible community shared ownership arrangements in place across the UK. However, it is clearly part of government policy. [GB Energy's founding statement](#) states that the Local Power Plan "will include shared ownership projects in partnership with private developers" It aims to increase ownership, giving communities a stake in, and benefit from, the energy transformation, with a target of 8GW of energy owned by local and combined authorities and community energy groups by 2030.

[Labour's Local Power Plan](#) pledged that GB Energy "will extend and strengthen existing shared ownership models in Scotland and Wales." Meeting its key priority of scaling up municipal and community energy "will involve expanding small-scale and medium-scale clean and cheap energy projects such as onshore wind, community and household solar. It will also involve shared ownership with private sector projects."

If GB Energy is to meet its ambitious targets, then there is an urgent need for strong leadership and positive action to unblock barriers and accelerate the uptake of shared ownership. **The quickest and most effective option would be for the UK Government to exercise its existing powers under the 2015 Infrastructure Act to give community groups the right to buy a stake in all onshore and offshore renewable electricity projects above 5MW in size.**



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UK Government background

The Climate Change Committee warns 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.”

As part of the Coalition Government’s Community Energy Strategy in 2014 a Shared Ownership Taskforce was established linking community energy organisations and commercial developers. The Taskforce produced a [report](#), which recommended shared ownership of onshore renewables as a way of maximising benefit to the community, increasing energy literacy and involvement in decarbonisation and getting buy-in to the build-out of renewables. It outlines a number of different models of shared ownership, as well as the idea of wholesale transfer of a completed asset to the community. Sadly due to the block put in place on onshore wind in England by the Conservative government in 2015 very little was built and most of the report recommendations have not been acted on.

However, one of the recommendations was enacted as part of the [Infrastructure Act 2015 \(Section 38/39 & Schedule 6\)](#) which made provision for a ‘Community Electricity Right’, for local communities to be offered a right to buy into local onshore and offshore renewable energy installations with a capacity of 5MW or more. To date, this power has not been exercised through secondary legislation.

The Government response to the Taskforce report stated that ***“We expect that by 2015 it will be the norm for communities to be offered the opportunity of some level of ownership of new, commercially developed onshore renewables projects. We will review progress in 2015 and if this is limited, we will consider requiring all developers to offer the opportunity of a shared ownership element to communities.”*** To date, neither this norm nor this requirement have been realised.

Learning from the Scottish context

The Scottish Government has had community shared ownership of private renewable energy as part of its ambition since 2014, and in its 2017 Onshore Wind Policy Statement, set out a target that ***“by 2020, at least half of newly consented renewable energy projects will have an element of shared ownership.”*** Further support include the Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments, published in 2019, the Onshore Sector Deal signed in 2023, and some support for shared ownership through the Community and Renewable Energy Scheme (CARES).

Despite this, to date **only 0.2% of Scotland’s current wind power is owned by communities through a shared ownership arrangement.**

This experience of more than ten years of inaction by developers shows clearly that simply putting in place targets or good practice guidance will not result in significant uptake in Shared Ownership and that if we are to meet the 8 GW target the UK Government needs to act now to put the right legislation, resource and support in place to make it happen.

Learning from the Welsh context

The Welsh Government announced a policy objective for all new energy developments to have at least an element of shared ownership from 2020. Of the 30 projects which have come into the Planning Inspectorate Wales process since 2020, 9 are considered exempt on the grounds of meeting the ‘local ownership’ definition in Welsh Government’s guidance (published 2022), 8 have publicly stated (on project websites or consultation materials) that they will offer some form of shared ownership at some point. 10 of the projects have made no comment on shared ownership. Only 3 projects have signed agreements for a proportion of shared ownership with community counterparties prior to submitting planning applications.

The learning from Wales is that verbal commitments alone from the developer community to meet the shared ownership policy objective are not sufficient; Government must take a more robust approach.



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What makes shared ownership credible?

There are currently three common models of shared ownership – Joint Venture, Split Site and Shared Revenue. The most appropriate model may vary depending on the size of the project, what type of organisation a community is partnering with, and a community's appetite for responsibility and risk. Further information on advantages and disadvantages of all three models can be found in Appendix 1.

Shared ownership is credible where meaningful ownership of a revenue generating asset allows proportionate opportunity and responsibility for financing and operation by a qualified community organisation and they have full control of their proportion of revenue generated. While there is no minimum percentage to be able to call something shared ownership, the credibility of any shared ownership arrangement decreases as the percentage ownership decreases. Where a community does not have credible control of either the operation of the asset or the revenue from it, this should not be considered shared ownership. These are de facto community benefit payments.

How the UK Government can accelerate community uptake of shared ownership

1. Mandatory offers of community shared ownership for all private developments

The UK Government should immediately use its existing powers under Sections 38 and 39 and Schedule 6 ("The Community Electricity Right") of the 2015 Infrastructure Act to make it mandatory for developers to offer at least 20% shared ownership to community energy groups in any new renewable energy development (including projects currently in the grid development pipeline) and for any existing renewable energy facility whose planning consent is being amended or renewed.

For all new projects, shared ownership offers should be credible, well advertised and include:

- a) Early (rigorously defined) engagement with communities and identification of potential counterparties at the pre-development pre-planning stage, with sufficient information and timely enough offers for the community/communities to organise, provide a considered response, and raise funds.
- b) A legitimate offer should ideally be made at construction cost, to avoid inflated 'market value' estimates, particularly where the communities engage at pre-planning stage and offer value through increased community support. Pricing can potentially be more favourable still where resource and finance are provided pre-development and at significant risk. Like with any investors, the price of investment is key to making shared ownership commercially viable by ensuring a profit will be made above the community's cost of finance.
- c) Legally binding agreements
- d) Protections in place to ensure that if the development is sold by the developer, the communities have an independent choice on whether to retain their own stake in the project. Ideally, pre-emption rights should also be built into the contract, to give the community first right of refusal to buy the developer's stake at market value if they choose to sell it.

If this recommendation of mandatory offers is taken forward, then recommendations 8, 9 and 10, which are all mechanisms to incentive developers to offer shared ownership, would not be necessary.

2. Government-led and backed community loans

GB Energy provides the opportunity for innovative financial models to fill the current gaps in the financing landscape for community shared ownership. In particular, recognising that in some cases communities will take some time to be able to self-organise, engage with developers, agree a deal, and secure affordable finance, our suggestion is that at the earliest stage of the project GB Energy secures 20% in every private development that will be community owned. GB Energy would provide the upfront finance for this stake, ensuring that negotiations between individual communities and developers do not hold up the development of the project business model. GB Energy could make these investments on a portfolio basis, managing risk in a way that is not possible on a 'one community, one project' basis. Stepping in with finance at the early stage of development will significantly raise the value of shared ownership returns, by securing the risk premiums



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earned as projects progress from acquisition to operation. A further benefit of entering the process on this basis will be to protect communities from the risk of inflated commercial valuation of projects and investment stakes negatively impacting financial models.

Alongside this, with the support of community energy umbrella organisations such as Community Energy Scotland, Community Energy Wales and Community Energy England, separate activities can focus on securing agreements with community organisations to allocate the full 20% stake across a number of community groups (with priority for local groups but with the option for other qualifying community organisations to invest where there is not enough local interest, see section 6). At this point, the community groups would agree governance arrangements and sign shared ownership agreements with the developer, and the investment made by GB Energy would be transformed into loan agreements with the respective community groups, who would pay back the loans at an affordable rate into a revolving GB Energy fund, to be reinvested in future projects.

3. Proactive mapping and early-stage awareness raising

Currently, there is no effective system in place to flag opportunities for shared ownership to local communities at an early enough stage for them to negotiate for a credible shared ownership arrangement, and therefore almost all potential opportunities are being missed. The UK Government should commit to create a publicly available register with up-to-date interactive map with information about all proposed and existing energy projects, including stage of development, and contact details for the community liaison. Developers should be obliged to submit information on shared ownership offers and arrangements to this register at a pre-planning, pre-development stage and to update as projects progress through planning and grid connection processes.

Additionally, nationwide campaigns to raise awareness about the benefits of shared ownership should take place and should be supported by outreach and information events by community umbrella organisations to their members, including specific outreach to groups located in areas located near proposed developments.

4. Community capacity building support

Community umbrella organisations should be given resource to flag upcoming developments to nearby communities and provide facilitation and support from the earliest stage of engagement through all stages of negotiations with developers. In addition, communities should have access to centralised support such as:

- Provision of standardised best practice models and frameworks for shared ownership
- Access to free accredited financial advice and support
- Access to free legal support (separate for Scotland, Northern Ireland, England and Wales)

5. Capacity building support for other stakeholders, public bodies and support agencies

Training should be developed and delivered for all organisations that can have a role in supporting awareness raising and development of shared ownership opportunities, including climate hubs, third sector interfaces, etc.

Specific guidance and training should be developed for government officials and local authorities to have a good grounding in the benefits of community shared ownership, and should be tailored so that they understand how they can use their roles to encourage more successful uptake of shared ownership opportunities across their areas of influence.

The Government should also work alongside industry bodies to raise awareness amongst developers of the benefits of shared ownership, including improved community engagement in, and support for, projects, and the opportunity for e.g. Renewable Energy Generation non-domestic rates relief in Scotland.

6. Shared ownership opportunities spread more widely: fair shared ownership opportunities for all

Shared ownership opportunities should be offered first to the communities located nearby the developments, and support should be available to those communities to be able to take advantage of these offers. Where those communities between them do not choose to take up the full 20% offered, these opportunities should



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then be offered to communities across the rest of the country, thus giving community groups that are not located near energy developments the opportunity to invest in energy infrastructure. In the last resort, where there is no local or distant community uptake, consideration should be given as to what other organisations could step in (at least temporarily) to hold the shared ownership stake and deliver strategic local, regional or national benefits.

7. Reconvening the Shared Ownership Taskforce

In order to take forward the recommendations above, we would recommend that the Shared Ownership Taskforce is reconvened, with some of the same members as well as wider membership from across the devolved nations. The Taskforce could provide input into the now overdue review of the Community Electricity Right (which should have been undertaken 'as soon as reasonably practicable' after June 2021) and support with any consultation required prior to enacting secondary legislation.

Incentive mechanisms (unnecessary if a mandatory approach is taken):

8. Shared ownership as condition or incentive for government support

Shared ownership offers could be built into conditions or incentives for private developments applying for any government financial support. For example, having made a credible offer of shared ownership or having a legally binding shared ownership agreement in place could be a condition of receipt for Contracts for Difference (CfDs), or an uplift incentive could be introduced to give applicants extra CfD revenue support if they have secured shared ownership (using a similar model to the [Clean Industry Bonus](#)). Any uplift could be weighted so that the greater the ownership stake secured, the greater the potential CfD uplift. Providing this uplift across the whole of the project would also allow for community groups to access the higher CfD and build a stronger business model for their own stake.

9. Community or shared ownership mandatory on all energy projects on public land and buildings

The public sector should lead the way by giving community energy priority access to all suitable public land and buildings (including solar on rooftops). Where there is a plan for projects to be developed on public land or buildings, best practice community engagement should be followed, including giving communities a suitable length of time to establish local or wider interest to develop projects, come together to organise, secure finance and any required expertise and prepare a bid.

Where there is no interest from communities to take forward a 100% community-owned project, tender processes should be designed in such a way that makes it mandatory for all projects on public land and buildings (including solar on rooftops) to have a minimum of 20% community shared ownership. Percentage of community ownership and community impact should be weighted appropriately. Again, best practice community engagement and consultation methodologies should be followed in this process.

10. Ownership given weight within planning and consenting processes

Type of ownership could be considered a material consideration within the planning process, with a hierarchy from fully community owned, through different percentages of shared ownership, and least favourable to any wholly privately owned developments. The UK Government should engage with the devolved administrations to ensure a coordinated approach across different planning and consenting policies and frameworks in the UK.

Additionally, consideration should be given as to how to prioritise community ownership within the grid connection process. We have already proposed that criteria should be introduced for designating community-owned energy and storage projects, initially for Clean Power 2030 and then as needed for the Strategic Spatial Energy Plan. This would mean that those community-owned projects could be included within the reformed connections queue and be prioritised for queue position within a Gate 2 assessment process. Again, there could be a hierarchy that considers the percentage of any project owned by a legitimate community organisation, with highest priority for 100% community-owned projects, then those with a larger percentage shared ownership and so on.



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Appendix 1 – Advantages and disadvantages of different Shared Ownership models.

Model	How does it work?	Advantages	Disadvantages
Joint Venture	Partner organisations work together to develop, own and manage a project and take proportionate shares. Normally this necessitates the creation of a special purpose vehicle (SPV) for the project. This model can be especially appropriate for shared ownership between two organisations who are aligned such as between two constituted community groups or a community group and a housing association or local authority.	• The community takes a proportionate share of the profit • Community representation would be built into the governance structure, with proportionate say in all decision making. • The creation of an SPV protects the assets of owner organisations from project risk.	• Joint ventures are more complex legally and administratively to set up. • Large developers with a wide portfolio of projects may be less inclined to set up numerous SPVs with different community partners • More interdependence between partners limits each organisation's opportunities to pursue different business and operating models and levels and profiles of revenue based on their differing aims and outcomes. • Where only a small percentage is owned by the community, there can be significant minority rights issues.
Split Site	A community organisation takes ownership of a discrete section of a larger project. For example, a community organisation may own one turbine on a larger wind farm. The community and developer can apply together and share costs for planning, infrastructure and other overheads. To date this model is most common within ground mounted solar projects.	• The community retains full control and ownership of its own asset • Benefits come from reduced costs of shared infrastructure, permitting and other overheads • The community group has the ability to vary their business model, and make independent decisions on how much profit to pay out and when.	• Full reliance on just one asset holds higher risk– i.e. if one individual turbine owned by the community group requires repair or breaks down, the community organisation's income and business model can be dramatically impacted (compared to if they own a % stake of all of the assets across the wider site). • Split site can also be more of a risk for wind projects than other technologies due to the variation in performance across a site, so there is a risk that the minority-owned asset will underperform.
Shared Revenue	The community organisation buys the rights to a percentage of the future revenue stream of the project.	• Opportunity to secure a reliable income stream with limited risk to the community organisation from the project itself	• The community has little or no control of the business and operating models and decisions that practically decide revenue levels and profile • Fewer opportunities for the community organisation to build skills and its own track record in renewable energy development • Higher risk of the community losing its stake at point of sale of the windfarm by the private developer. • Lack of assets may make it more difficult to secure affordable finance.