



Doubling the size of the UK's co-operative sector – A call for evidence by The Co-operative Party

Response by Community Energy England

14th January 2018

1. CEE's views of NEF 'Co-operatives Unleashed' report recommendations

CEE strongly supports all the report recommendations and see them all as important work areas that are interdependent and add value to each other. However, a new legal framework and establishing finance that serves the co-operative agenda should be prioritised as these will ensure a strong framework for any further activity and ensure that the sector grows in a sustainable and effective manner.

Anchoring co-operatives within place-based industrial and community wealth building strategies would be transformative for the sector providing the foundation steps are developed effectively.

2. CEE's examples of current co-operative growth.

228 community energy organisations were found to be active across England, Wales and Northern Ireland during 2017. The most dominant form of business structure used by community energy groups was found to be Community Benefit Societies (BenComs) (47%). Co-operatives (Co-ops) (19%) and Community Interest Companies (CIC) (13%) were found to be the second and third most popular options, respectively. The remaining business models include Charities, Limited Companies, as well as unregistered or unconstituted organisations.

There has been a steady increase in the number of community organisations constituted or formed over the last decade, reaching a peak of over 30 new organisations a year in 2014 and 2015. 2016 showed a marked decline in group formation on preceding years with just 13 formed in total, and only 1 new community energy organisation identified as having founded in 2017. This steep drop-off appears to correspond with recent changes in the renewable energy sector and support for community-led energy projects from 2015 onwards, as well as the increasing difficulty and effort required to locate and progress suitable projects and sites.

The reduction in new community energy groups is likely attributable to the decreasing viability of energy projects, which in turn may be affecting communities' enthusiasm and motivation to investigate energy projects. This is particularly true of communities without an existing renewable scheme, where the barriers to entry (e.g. expertise) are considerably greater than for those already engaged in the sector. A high number of responding

organisations stated that they have future plans within community energy, most often building upon projects developed by, and existing capacity within, the organisation.

3. CEE's real-life experience of co-operative growth and barriers to growth on the ground.

Key barriers to the development of community energy relate to:

- Changes to national financial mechanisms, policy, regulation and the planning regime over the past couple of years and a lack of incentives and support for co-operative organisations from government
- Increasing priority towards market-led approaches to business which increases barriers to co-operative/community organisations.
- Project finance – as projects become higher risk due to the above changes and returns on investment fall, access to project finance has become more difficult
- Access to suitable sites
- Technical constraints
- Volunteer motivation
- Rapidly changing energy system

These barriers have all led to a significant slow-down in the growth of the community energy sector. However, there will be opportunities related to the changing energy system and the longer-term outlook for community energy is more positive. An increasing trend will be the 'joining up' of community energy initiatives and organisations, larger renewable energy generation projects, technological innovation, more partnership working with other sectors (e.g. transport and housing) and a greater focus on tackling fuel poverty and behaviour change.

Case studies and more detail can be found in our [State of the Sector report](#).

4. CEE's specific views on the nature and role of a Co-operative Development Agency

A Co-operative Development Agency for England, based on learning from Scotland and Wales, would be incredibly valuable. It would need to be ensured that it worked with and added to the valuable work already being undertaken by organisations such as Cooperatives UK and not compete or dilute their work.

Another way that the Co-operative Development Agency could extend the capabilities of the co-operative movement is through increasing the diversity of the sector e.g. through training/internship/guidance within the 16 -30 age group.

5. CEE's priority legislative changes?

All comments on the report assume that the term 'co-operatives' includes community benefit societies which currently account for the majority of community energy organisations. Community renewable energy organisations are no longer able to register as a co-operative (this goes against trends across the rest of the world). For community energy

organisations to be able to evolve and take advantage of the energy transition e.g. through selling the energy they produce to their members, the FCA must reverse its ruling and re-allow community renewable energy organisations to register as co-operatives.

The re-introduction of tax relief for community energy would significantly support the growth of community energy.

6. How can co-operative growth be financed?

We agree with the options put forward in the report.

7. What is the role for education and training in enabling the sector to grow?

Education is pivotal to raise awareness of the co-operative movement and encourage cultural change that embeds co-operatives into society. Skills and training must be a priority to build the capacity of the sector. CEE is currently assessing whether it should take a greater role in skills and development for the community energy sector.

8. Which are the key sectors for future growth?

We agree with the growth areas set out in the report. Energy will also be an area for significant future growth with the right support mechanisms, such as those laid out in NEF's report.