



The Rt. Hon. Rishi Sunak MP  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

14 February 2020

Dear Chancellor,

### **Community energy and Social Investment Tax Relief**

Many congratulations on your new appointment. We wish you well.

Around Budget time we believe the Treasury will be publishing its report on the Call for Evidence on 'Social Investment Tax Relief' which closed on 17 July 2019. Following a decision in 2015 to withdraw SITR from community energy generation projects, we were pleased to see the Treasury look again at this decision in light of a poor take up of this relief by social enterprises. We are writing to you to support **reinstating SITR for community energy** to drive investment into new community projects, helping contribute to the achievement of the Government's Net Zero goal.

The community energy sector, supported by the many organisations which are signatories to this letter, believes **reinstating SITR for community energy projects** will unlock tens of millions of pounds of new social investment into the development of renewable energy projects, designed, delivered and financed by local communities, and which produce huge social returns to those communities and society at large.

Community energy has been described by Ministers as '*a key cornerstone of government's ambition to transition to a low-carbon, smart energy system*', but, in line with a number of renewable energy generation technologies, the sector has faced several setbacks over the past few years as key policy drivers have come to an end.

In 2015 eligibility of 'energy generation' for tax relief under EIS, SEIS and Social Investment Tax Relief was withdrawn by HMT, on the basis that it risks '*diverting finance away from higher risk social enterprises struggling to access finance.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.*'

However, since the withdrawal of key support mechanisms, in particular Feed in Tariff (FIT) support, investing in community energy has now become high risk and low return. The assets are depreciating, investments are long-term, do not allow capital gain and allow only one vote per shareholder rather than per share.

The recent introduction by Government of a Smart Export Guarantee (SEG) provides little help to community energy, as has been acknowledged by BEIS.

Community energy is the single most prominent investment category on social impact crowdfunding websites and so presents a unique opportunity to grow the social investment sector and encourage public engagement and market innovation in the

energy sector. Currently it is expected to compete in a highly commercial market without benefit of tax relief *whilst also delivering community benefit*. The market failure that SITR was designed to address applies acutely to community energy.

The most recent Community Energy England [State of the Sector report](#) (attached) shows that this dynamic sector has stalled, struggling to make an investment case. However even in our worst year ever £2.3m development money leveraged £40m of investment. Community energy returned £978,000 via community benefit funds (>£2m in Scotland) as well as huge social benefits as a result of its energy activities. South East London Community Energy calculated 6:1 financial return on investment (savings on householders' bills) from its energy efficiency work, without counting any well-being benefit or social cost savings which could well double the figure.

Community energy is leading on community embedded energy innovations (looking to smart local energy supply options, contributing to cheaper energy, the use of storage to enable flexibility to smooth demand). It is playing leading roles in local climate change emergency and fuel poverty alleviation work.

The wide coalition of signatory groups, including Co-operatives UK, Big Society Capital and the Social Impact Implementation Taskforce, call upon you **to reinstate Social Investment Tax Relief for community energy in your forthcoming Budget**. In this year in which the UK is hosting the international climate change negotiations, this will enable the sector to play its key role of engaging the wider community in participating and investing in the transition to zero-carbon.

We attach Community Energy England's [call for evidence response](#) with a list of policy suggestions.

Representatives of the undersigned would very much like to meet you to make the case for SITR for community energy.

Thank you for considering this.

Yours sincerely

Emma Bridge, CEO, Community Energy England  
Nicholas Gubbins, CEO, Community Energy Scotland  
Robert Proctor, CEO, Community Energy Wales  
Ollie Pendered, CEO, Community Energy South  
Syed Ahmed, CEO, Community Energy London  
James Wright, Policy Manager, Coops UK  
Sarah Gordon, CEO, Impact Investing Institute  
Cliff Prior, CEO, Big Society Capital  
Lisa Ashford, CEO, Ethex  
Vidhya Alakeson, CEO, Power to Change.  
Colin Baines, Investment Engagement Manager, Friends Provident Foundation  
Richard Speak, Founder, Environmental Finance.  
Mike Smyth, Chair, Energy4All

**Attachments:**

The State of the Sector report 2019

Community Energy England's response to the SITR call for evidence

cc

Rt Hon Steve Barclay MP, Rt Hon Jesse Norman MP, John Glen MP, Kemi Badenoch MP  
and Lord Agnew

DCMS Secretary of State, Oliver Dowden

Anneliese Dodds MP

The Rt Hon Sir Ed Davey MP