

What is Community Energy & Why Does it Matter?

Summary

By placing democratic control, shared benefits and active participation at the centre of project delivery, community energy could create the foundation for the significant infrastructural and cultural change we need to address the threat of climate change and energy insecurity.

This paper sets out to describe the purpose and processes that underpin community energy. It does not seek to define community energy. Definitions are context specific and will differ depending on their purpose. For example, defining a community energy organisation for the purpose of community membership of Community Energy England will be different to the definition used within the Feed in Tariff or for the EIS tax relief exemption.

This paper suggests that whilst there is a clear set of principles underlying community energy, there is also a range of challenges and still to be resolved issues that will need to be addressed with openness and creativity as the sector matures.

What's the Problem?

Our current system of energy supply and our associated set of assumptions and expectations around energy use are not 'fit for purpose'. We will need major structural change if we are to meet the challenge of climate change, embed energy security and create a system that doesn't regard high levels of fuel poverty as an inevitable consequence of normal business practice.

We have an energy system that prioritises centralised energy generation and as a result promotes the use of carbon intensive fuels and undermines energy security in the face of an increasingly unstable energy market.

This centralised approach obscures the relationship between energy supply and energy demand and enables individual consumers to lose sight of and so ignore the impacts of their energy choices. The generation of energy is something that happens a long way away and the use of energy is considered primarily in financial terms as an increasingly expensive commodity, if at all.

So meeting our carbon targets requires a decentralised and distributed energy supply network to maximise the take up of low carbon technology. But the process of decentralisation is in danger of stalling, as more and more people's backyards become home to distributed energy projects owned by private and often large multinational companies. Whilst the opinion polls still offer strong support for renewable energy, local projects are meeting more opposition. With little positive connection with projects and increasing distrust of the energy market, there is a

growing sense that people's backyards are making significant profits for someone else.

Large corporations who view their customers only as consumers dominate the energy market, whether generating or supplying heat, electricity or transport fuels, or selling energy efficiency products and services. By fostering large scale delivery, the energy market drains economic value away from where it's created and loses the opportunity to create a stronger connection with local areas as a result.

So as consumers, our choices are limited primarily to who's the cheapest. Our ability to influence the source of energy is severely constrained and our control over who benefits from its supply is virtually non-existent.

All the while, the significant social and cultural change required by the threat of climate change and diminishing reserves of cheap fossil fuel seems as far away as ever. The price signal has been the dominant means of trying to influence our attitudes and behaviours since the 'Save It' campaigns of the '70s, with little success. Whilst our attention fixes on the message we ignore the importance of the messenger. Without an engaged citizenry that play an active role in both taking action and disseminating the need to act, we will never do more than scratch the surface.

What is Community Energy?

Community – 'community' is considered to be a group of individuals brought together by a common sense of collective identity. A sense that is either geographical in nature, i.e. people live in a similar geographical area, or people have a common interest, i.e. membership of a group like a Wildlife Trust, a mother and toddler group or rugby club or a common faith or set of beliefs. Whilst communities may have common characteristics, the strength of the collective identity within communities will vary significantly from one community to another.

Energy – 'energy' refers to projects generating electricity and heat, energy efficiency and demand reduction and energy supply. The later is currently restricted primarily to supply for on site use or over private wire, though its hoped that supplying energy direct to community members via the distribution network will become a viable option in the future.

As the interface between 'community' and 'energy', community energy projects engage this sense of collective purpose to encourage positive change. As such, community energy refers as much to how projects are delivered as it does to what is delivered.

This makes absolute definitions difficult, as inevitably there will be a range of potential outcomes that reflect the strength or level of community response.

Key questions to ask when considering community energy include, who's in control, who benefits from surpluses generated and how participative is project delivery?

Democratic Control: The other two questions flow in part from this. Considerations include, are organisations delivering the project controlled by a few unaccountable individuals or is there a membership drawn primarily from the community(ies) served? Is the membership fully democratic and able to hold those in charge to account?

What might this look like? Organisational forms that incorporate one member one vote and organisations that build member participation into organisational governance and remain open and transparent to the wider community.

Sharing Benefits: Considerations include, how is any surplus generated by individual projects and the organisation as a whole used? Do benefits accrue to the whole community or just a small proportion of community members?

What might this look like? Organisations that focus on retaining project surplus in the local area by re-investing a high proportion of project surplus back into the community, that ensure that where shares are offered a significant majority of member investors are from the relevant community, that look to prioritise local benefit and build local resilience wherever possible, for example through the use of local contractors or by building local expertise and local employment or by transferring skills and experience to other related or unrelated community initiatives, from community pubs to local food or sustainable transport initiatives.

Active Participation: Considerations include, do projects involve existing community networks or do projects seek to establish direct relationships with individuals only as consumers or regard communities purely as barriers to development.

What might this look like? For example, projects that integrate community networks as active partners within the delivery of energy efficiency projects (rather than as merely routes to market) or that engage local people and communities as advocates and beneficiaries of renewables projects (rather than the passive recipients of industry payments).

Community Energy Principles

The three defining themes of democratic control, shared benefits and active participation sketch out a direction of travel that community energy drives organisations and project delivery towards.

It brings with it a series of principles that lead practice that include:

- Enhancing community leadership
- Increasing transparency of roles, expectations and outcomes

- Prioritising dialogue
- Increasing ownership of process and outcome
- Building financial sustainability

Tensions Within the Model

The community energy sector is rapidly growing but it is still a relatively young sector that is working out how to make best use of the opportunities.

This can generate tensions within the delivery of the community model as communities look to solve the problems associated with:

- generating the scale necessary for raising finance or building financial sustainability whilst also retaining the links and focus on the community(ies) that organisations serve.
- developing financially sustainable delivery models for community energy efficiency and demand reduction projects
- developing the commercial skills sometimes alien within a community context, but necessary to engage with the energy market
- developing the community engagement skills necessary to engage a wide range of stakeholders and manage any conflicts creatively
- balancing community leadership with the need for active partnerships with private and public sectors
- ensuring that professionalisation of the sector occurs without losing the strong support and acknowledgement for volunteers as the lifeblood of community action
- balancing the responsibilities of ownership with the benefits that can accrue
- balancing the need to remain inclusive without creating investment structures that substantially increase administrative burdens and undermine financial viability
- balancing risk and reward when developing opportunities for community investment whilst retaining a priority on social as well as financial returns

Whilst there are many innovative and exciting approaches being developed and tested that address these and many other issues, its important to recognise that no one has all the answers. Community energy action will coalesce around increasingly successful ways of working as the sector matures and grows.

Why is Community Energy Important?

Community energy offers an opportunity to challenge our assumptions about energy by encouraging us as individuals to take greater control over energy supply and get involved and engaged with energy efficiency and the process of demand reduction.

Where successful, community energy has the potential to draw people in, not just as consumers but also as active participants, or partners, in a process of change.

Partners because people share in the benefits, have some say in how things happen, are actively involved and feel a connection with the outcomes.

Community energy has the potential to do this by creating a sense of collective purpose where:

- I see 'People Like Me' involved, whether family, friends, neighbours, community members, work colleagues
- I keep hearing about opportunities for involvement through many different local routes, its stops being unusual and becomes 'What Happens Around Here'
- I trust the people delivering the projects, I see them around, they're local
- I can see tangible benefits for my local area
- I can see tangible benefits for me

This sense of collective purpose can help to normalise the adoption of demand reduction behaviours and encourage the take up of energy efficiency measures.

If successful community energy can also help to underpin the more rapid roll out of a decentralised energy supply system by giving local people a stake in the outcome.

Community energy enterprise offers a way of doing business that focuses on covering operating costs rather than maximising and distributing profits. This enables community enterprise, for example, to offer income back into local communities many times more than the community payments offered by traditional renewable energy developers.

It could also provide a tangible mechanism for moving from the 'Big 6' to the 'Big 60,000' if the regulatory system was opened up to more easily allow community energy companies to supply the energy they generate to local people. Particularly if community energy companies were able to pass on the reduced transmission/distribution costs to customers as cheaper bills, providing a real dividend for local energy.

This doesn't mean that communities can do it all by themselves. Without regulatory intervention by a government prepared to take an enabling role, community action like all other approaches to change will founder. The UK Government's recent Community Energy Strategy is an important first stepⁱ. The strategy flags the significant short term potential for growth in the community renewables sectorⁱⁱⁱⁱ, though little has been done on the potential for community intervention on energy efficiency and demand reduction.

Success will however depend on clear and strong energy and carbon reduction policy, not just around community energy. There is much more that needs to be done by a range of key stakeholders to



move community energy from niche to norm. But accelerating the movement of community energy closer to the centre of UK energy policy could have a galvanising affect that will drive lasting change across the board.

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April 2014

We'd like your thoughts on this and we'll refine this document over time. Please send comments, thoughts, suggestions to pete_capener@blueyonder.co.uk

ⁱ Community Energy Strategy, Department of Energy and Climate Change, January 2014:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275163/20140126Community_Energy_Strategy.pdf

ⁱⁱ Community Renewable Electricity Generation: Potential Sector Growth to 2020, Capener P., January 2014:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/274746/20140108_Community_Energy_Modelling_FinalReportJan.pdf

ⁱⁱⁱ The Community Renewables Economy: Starting up, scaling up and spinning out, ResPublica & SCENE 2013:

http://www.respublica.org.uk/documents/yqq_Community%20Renewables%20Economy.pdf