



Community energy policy brief: Summer 2017

Affordability, a diverse energy mix and an exemplary environmental record should be the hallmarks of the UK's energy industry.

This briefing, based on the 2017 findings of the first ever Community Energy State of the Sector report, demonstrates how the sector has grown significantly in just the last 7/8 years to deliver real benefits for consumers and communities alike.

It shows too how— with modest support— these projects across the UK can make an even bigger contribution to the nation and are perfectly placed to play a central role in realising the government's energy ambitions.

Competitive and affordable energy costs

Community energy can play a leading role in making energy affordable and reducing fuel poverty to give UK consumers the cheapest energy in Europe.

Our state of the sector survey shows how a third of projects are reducing fuel poverty and almost the same proportion (31%) are cutting electricity prices for local consumers.

Many of these projects are at the vanguard of consumer focused innovations, like Brighton and Hove Energy Services Co-operative's pay-as-you-save initiative which enables customers to benefit from renewable technologies and energy saving measures whilst paying off the costs through their reduced energy costs over time.

Part of a diverse energy mix

The community energy sector has the potential to play a significant part in the diverse energy mix that the government seeks to create.

In just a few years it has blossomed into a mature and trusted energy provider made up of more than 220 organisations able, between them, to generate 188MW - enough to power homes in a city the size of Cardiff or Coventry.

These projects deliver far more benefits than any other type of energy source but cannot thrive on market forces alone. With just £1.9 million development support from the public sector they have succeeded in capturing the imaginations of investors and raising investment worth £190 million.

A legacy to be proud of

Community energy can play a direct role in the Government's proposed 25 year environment plan and its ambitions to be part of the first generation to leave a cleaner environment for future generations.

It can also play a key role in helping government deliver its ambitions for a stronger economy and a fairer society and support its commitments on global climate change targets on carbon and renewable energy.

Our state of the sector survey shows that, to date, community energy projects have provided an emissions reduction of over 110,000 tonnes – equivalent to 1.2m passengers flying between Edinburgh and London or the annual emissions of 200,000 households¹⁸.

These figures do not include the emissions reductions resulting from other interventions, such as energy efficiency improvements, education initiatives or low carbon transport. For example, we know that 31% of groups involved in energy generation are also active in improving energy efficiency, managing demand or investing in further renewables projects as a result of their initial community energy schemes.

They are modest reductions but show the disproportionate impact that a small number of organisations (222) can achieve with very modest initial development funding.

Helping local communities and economies thrive

Community energy organisations are playing a direct role in supporting and strengthening local urban and rural communities.

They are re-investing surpluses in local projects. In just one year, £620,000 was donated to local causes by community energy projects in England, Northern Ireland and Wales).

Almost a third of re-investing in their local environment, helping create new assets like community woodlands, and almost half (47%) are working with local schools, teaching pupils about energy production and efficiency.

Communities are benefitting in other ways. In south east London, one group will save 4 local schools £143,000 over the 20-year project, and generate a £40,000 surplus which will be returned to investors in the local area.

Delivering the government's ambitions on energy and climate change

Community energy can deliver an even bigger impact for the nation with modest support from government to:

1. Re-introduce fair taxation and financial mechanisms for community-owned energy.

Community energy schemes have been hit by many changes over the last couple of years, resulting in some schemes stalling and others having to reduce their resulting community benefit.

Two of the most detrimental changes have been the removal of tax reliefs and changes to feed-in tariffs, including the removal of pre-registration for sub-50kW schemes. Tax relief would help ordinary people afford to invest in community clean energy enterprises whilst rewarding social impact and encouraging innovation. Pre-registration enabled community energy enterprises and schools to fix their feed-in tariff rate at a set rate for 12 months to allow time for them to raise money from the community and to develop the project. The re-introduction of both of these measures would give communities the confidence they need to generate local investment.

A further, unexpected impact on the financial viability of community energy schemes has come through changes to the implementation of business rates, which have seen some projects hit with big tax bills that were never factored into financial models. We ask that, due to the additional social outcomes of community-owned energy schemes, they are treated in the same way as charities and automatically awarded discretionary relief.

2. Review planning rules so that community wind, solar and hydro projects are given fair treatment within the planning system.

The national planning framework allows for community ownership of renewable energy projects to be a 'material consideration' in local planning policies. But in practice officials have not taken this into account in planning decisions. We need to reform the national planning policy framework and guidance to councils so that community energy projects are given effective recognition in both, and communities who want to actively contribute to meeting our national targets for renewable energy generation are supported to do so by the planning system.

3. Give communities full and fair access to the energy markets, particularly where scale and capacity prevent communities from selling or using their energy locally.

The UK's energy market rules were designed for a centralised system that generated electricity in giant fossil power plants, often a long way from where their energy was used. As a result, when community energy groups set up their own wind turbine or solar panels, they don't receive all of the financial benefit of this local power. This is because the community group has to sell the power they generate to one of the power companies at 4 or 5p per unit. Then the local people who use this electricity have to buy it back from a supplier at three times the price. Community energy groups have been stuck with this situation because they don't have the scale or capacity to compete with big, incumbent utilities.

New 'smart' technology is now making it possible to share the financial value of matching local electricity demand with local clean energy, but outdated regulations around energy supply need to change too so that communities can access these benefits. We are calling for market rules to be updated so that communities who host renewables are rewarded through lower bills, whilst local generators get a fairer price for the power they supply to local customers.

The changes we need to make this happen are complex and won't happen overnight. So the first thing we ask the government to do is to set up a dedicated local energy innovation fund for England and Wales, accessible to community groups and social entrepreneurs.