# Community Energy England’s response to the Call for Evidence on Barriers to Community Energy Projects

June 2024

We are content for this response to be published publicly.

**Introduction to Community Energy England**

1. [Community Energy England](https://communityenergyengland.org/) (CEE) represents over 300 community energy and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings, to helping households combat fuel poverty.
2. Our vision is of strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable energy system.
3. Community energy refers to the delivery of community led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.
4. The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community and social benefit.
5. We believe that these motivations should be shared by all working in the energy sector and on energy system transformation.

**General comments**

1. The community energy sector doubled in size every year between 2014 and 2017 despite cuts in feed-in tariffs.
2. 
3. The Coalition government’s [Community Energy Strategy of 2014](https://www.gov.uk/government/publications/community-energy-strategy) envisaged 1 million homes powered by community energy by 2020. As Conservative government cuts and restrictions post 2015 began to bite, growth stalled until it became a challenge to install renewable energy except where multiple circumstances were favourable. These cuts included:
	1. the reduction in Feed-in Tariffs and the ending of the scheme in 2019 (illustrated in the graph above) but also
	2. the removal of the Renewable Obligation Scheme,
	3. the 5MW eligibility threshold for CfDs,
	4. the de facto planning ban on onshore wind (2015),
	5. the premature ending of the Urban Community Energy Fund (2016),
	6. the removal of EIS/SEIS and SITR tax relief (2017),
	7. the removal of the Export Tariff,
	8. the lack of adequate or long-term guarantee for investors in the Smart Export Guarantee which replaced it,
	9. the punitive business rates imposed on rooftop solar,
	10. the hike of VAT on solar panels, batteries and ‘energy saving measures’ from 5% to 20% and finally,
	11. the ending of the Rural Community Energy Fund in 2022.
4. As a result the sector was only able to achieve 10% of the perfectly realistic 1m homes goal set in 2015 - meaning many good and deserving opportunities could not be realised, and vast social and community benefit was denied to local people.
5. In 2021, the sector’s installed capacity increased by only 2.4%. Ever enterprising and tenacious, the sector diversified with energy efficiency activity increasing by 38% helping 56,000 people save £3.35m on their energy bills. Low carbon transport projects increased by 30%. At the same time jobs in the sector increased by 40%, many of them delivering direct benefit to communities. The sector continues to innovate to deliver net zero in a way that benefits local people, the local economy, and the local environment. Despite significant barriers, community energy enterprises in parts of the UK are progressing whole-place solutions, bringing additional value to collaborative energy projects. But there are still vast parts of the country where community energy has not been able to be progressed.
6. This document is not intended to be a comprehensive list of every barrier faced by community energy organisations, but a broad overview of the experiences of our member organisations. Other community energy organisations have submitted responses to this call for evidence which give first hand accounts of the barriers they encountered.

**Introduction**

1. Which type of stakeholder is responding?

Non-Governmental Organisation (representing the community energy sector in England)

1. Where are you, or your organisation, responding from within the UK?

London and Sheffield but speaking on behalf of community energy organisations all over England, both urban and rural.

**Barriers**

1. What are the barriers, financial and non-financial, preventing the establishment, development, and scaling of community energy projects? Please include any relevant quantitative and qualitative evidence.

**Establishment of projects.**

We take ‘establishment of projects’ to include: setting up a community energy organisation, gathering expertise, identifying potential projects, doing pre-feasibility and feasibility studies, extending work into new technologies or areas…

Financial barriers

* + 1. **Lack of finance/funding for finding sites and pre-feasibility.** There is much work to do even before an organisation can apply to the Community Energy Fund for feasibility funding. Only a proportion of the possible sites identified will ultimately be suitable to take to full feasibility study. This involves a lot of work that is currently not supported. It must either be done by volunteers which will be a limiting factor or by employees or consultants which is costly.
		2. **Lack of funding to support startups, and build initial capacity and skills, do ‘legals’ on organisation and early projects e.g. JVs, share offers. Reliance on unpaid volunteer time.** Once a project has been completed volunteer time is often used up running the project rather than moving on to the next one.
		3. **Community Energy Fund does not fund all aspects needed to progress a project e.g. legal due diligence.** CEF criteria doesn't cover various core costs needed to implement an otherwise viable project such as legal due diligence.
		4. **Community Energy Fund does not allow ‘full cost recovery’ or reasonable allowance for overheads** of organisations applying for feasibility or development grants. This is a significant barrier to entry.
		5. **Lack of ‘at risk’ funding for feasibility studies, especially in urban areas following the premature ending of the Urban Community Energy Fund in 2017** with £8m of its £10m allocation unspent. This money, promised to community energy, has never been reallocated. This was acknowledged by Kwasi Kwarteng when he was Energy Secretary, but despite repeated requests, no action was taken. The initial Urban Community Energy Fund grant to do feasibility on the Ambition Lawrence Weston wind turbine (the largest and most powerful single turbine in England and one of a very small number of onshore turbines installed in England since extra planning restrictions were introduced in 2015) was kicked off by a UCEF feasibility grant in 2016. It took incredible tenacity and 9 years to overcome all the barriers to realise this amazing project.
		6. **Lack of understanding of financial risk.** Risk management was scored high in recent member surveys on challenges to growth. With current volatility in costs, inflation, interest rates, energy prices even professional advisors are often poorly equipped to assess the financial risks of a project. Assessing non-financial risk is also challenging. See [3.2](#mdsa69ahtrud).
		7. **Challenge to keep up with shifting financial (and regulatory) landscape.** It is a full time job just keeping up with funding requirements and opportunities.
		8. **Lack of access to low cost affordable finance to install at scale.** Commercial lenders struggle to finance small projects 1MW and under.

* + 1. **The ending of the Rural Community Energy Fund without a successor in March 2022.** This meant that the community energy expertise in the Net Zero Hubs dwindled with some excellent officers leaving, taking with them huge knowledge and experience, which had to be rebuilt when the government introduced the Community Energy Fund in 2024. Some RCEF projects have not moved forward due to the absence of ongoing support from the Hubs. Figures from the NW NZ Hub from 2022 showed a pipeline of viable projects with a CAPex of £63m meaning that each £ of development grant paid out via the RCEF could have mobilised £69 of community investment and millions more of community benefit. The hiatus means that some of those projects had not been constructed, wasting both the development money, community effort and the potential of the project.
		2. **The ‘the UK-wide Growth Funding (e.g. UK Shared Prosperity Fund)’ which the government advocated for community energy use after the end of the RCEF didn’t work for community energy.** A very small number of areas and community energy organisations who benefitted were lucky their area was targeted and their local authority was collaborative. But capital funding is not generally what community energy organisations need. They need available ‘at-risk’ development funding to get a project investment ready for local investors. It added another hurdle to doing projects. Community energy organisations had to engage with local authorities (sometimes impossible) to agree common goals and time-tables, collaborate on applying and then apply to the local authority to get paid. In general it was not useful. We are grateful that development money was available through the Shared Prosperity Fund but this was not publicised properly so probably little used. The funding was often targeted centrally. Competitive funding wasted millions of pounds of local authority time to access it. The Net Zero Review advised a better way should be found.
		3. **The RCEF ‘10% rule’ prevented more than 10% of feasibility grants being spent within the organisation.** This forced organisations to use for profit consultants even when they had the expertise in house. It also meant that capacity was not built within these organisations to do this work themselves which might have made future feasibility studies deliverable more cheaply in house, making organisations less dependent on grants, and keeping resources within the community organisation.
		4. **Lack of consistent funding for energy efficiency/advice work available to community businesses.** Community energy efficiency work returns at least £9 of social benefit for every £1 invested according to a [report by Bristol University](https://www.bristol.ac.uk/media-library/sites/law/research/Nolden%20et%20al.%20BLRP%20No.%202%202021.pdf). Despite this extraordinary value for money members involved in energy efficiency/fuel poverty work have reported via our Energy Efficiency Working Group that until the government’s Local Energy Advice Demonstrator programme it was difficult to get more than a few piecemeal grants for energy advice making it very difficult for a non-charity to set up long-term energy advice programme which employs people and offers career progression. This is at least in part due to a restriction in the Energy Redress Main Fund, which is dedicated to helping ‘vulnerable customers’ but is only available to charities. Large centralised organisations mostly running web-base and telephone services such as CAB or the Energy Savings Trust tend to hoover up most of the money. This Fund represents 75% of the total fund. The Innovation and Carbon Emissions Reduction Funds (25% of the fund) were opened up to community businesses by Ofgem in 2022 but it is difficult for community energy organisations wanting to deliver energy efficiency services to get funded under these Funds.
		5. Since a large part of the added value that local in-person advice delivers is due to consistency - long term local knowledge of local conditions, communities and housing types, and long term relationships with clients this is short-sighted.
		6. **Lack of coherent funding available for community businesses for retrofit, low carbon heat.**

*Insurance payments*

* + 1. In recent years, community energy organisations have found it increasingly difficult to insure their projects in some sectors. Ballasted solar PV arrays, for years the standard fixing for flat roofs are becoming increasingly difficult and expensive to insure. This is supposedly due to risks from increasing wind speeds, though we have found no evidence of actual damage to these systems. Electric cars are becoming increasingly expensive to insure and in some cases this cost has been so prohibitive as to fatally damage the business case for community electric car clubs.

* 1. Non-financial barriers
		1. **Deprioritisation of community energy in policy since 2015**, ignoring the Community Energy Strategy, absorption of community energy in Local Energy Whitehall team. Some important sections of the government failed to understand the importance of people and communities to a successful transition to net zero. Professor Rebecca Willis shows how [people are considered only as market participants](https://www.sciencedirect.com/science/article/pii/S2214629622003139) especially in climate and energy policy. Community energy gathers passionate, proactive pioneers to drive innovative, replicable, engaging local energy action but despite this has been largely ignored in policy since 2015. Cuts and restrictions, both financial and non-financial are detailed in paragraph 8 of the introductory comments.

* + 1. **No adequate prioritisation of decarbonisation** in the planning system (see below) or policy and government spending in general. Despite warning from the Climate Change Committee (CCC) that ”it will not be possible to get close to meeting a net-zero target without engaging with people or by pursuing an approach that focuses only on supply-side changes,” Boris Johnson’s Ten Point Plan focussed almost exclusively on big-cheque, big tech, supply side measures, including many that will not deliver carbon savings in time if ever. The CCC repeatedly observed that, “there is currently no government strategy to engage the public in the transition to a low-carbon economy.” Policy on energy efficiency and retrofit has failed and there are no real policies on demand side measures.
		2. **Variable skills in the Net Zero Hubs advising RCEF projects.** At their best, Net Zero Hubs were highly expert and entrepreneurial - even kickstarting community energy projects in their region - and saved many thousands of pounds by good advice and resources. At their worst they were blockers.

* + 1. **Finding sites.** As the Community Energy Fund has opened up the possibility of doing more projects, increasing number of members are reporting this as a practical as well as a financial challenge ([see 3.1.1](#siswy3f2d4io)) These challenges can be due to lack of skills or capacity within the organisation, to councils and other asset owners not being aware of the benefits of engaging with community energy or wanting to develop their assets themselves to access the profits (which often never happens). It can be due to the difficulty of contacting the responsible person or the sheer complexity of getting permissions, leases, licences. Or technical issues which are difficult to assess without detailed feasibility studies.
		2. **Collaboration with councils is varied** as there has been no government support to coordinate local authority climate emergency planning or to mandate or encourage them to work with, commission or procure energy from local community energy organisations. The best climate action is happening where collaboration is good e.g. Oxford, Bristol, Bath, Barnsley. Some councils view community energy as competition especially for developing council owned assets - which often still do not get developed or are not consistently maintained if they are developed. Sometimes it takes only one officer to effectively block collaboration. Local authorities are sometimes charging rent for rooftop airspace.
		3. **Assessing risk.** Lack of clarity around planning can also deter organisations from even applying. This is particularly true around onshore wind but applies in other areas too. Assessing multiple practical risks is necessary ahead of committing money to feasibility or project development. Risks include failing to get a grid connection, structural issues, legal issues, supply chain issues, contractor availability and many more.
		4. **Burn-out.** This can be a problem among committed volunteers and staff. There are so many challenges that, especially volunteers, can “get so disheartened and exhausted with struggling against the tide”. This is not a sustainable model for a sector that is functionally essential to achieving net zero.

*Grid connections*

* + 1. Many of our members have had projects delayed or stymied by lack of access to grid connections. Grid connections consistently feature at the top of barriers to surveys that we have conducted with members recently. Organisations are often quoted waiting lists of many years for grid connection, told they can only connect a fraction of the project’s generation capacity to the grid or simply given changing and conflicting information, meaning that their project remains in limbo. These issues impact the cost, risk and sometimes viability of many otherwise straightforward projects. One project failed to commission on time due to connection delays and lost the projected FiT rating meaning the Community Benefit Fund is much smaller than planned. Another lost thousands in development costs when a project could not proceed due to a reduced connection offer.
		2. When given a grid connection offer, the organisation only gets 3 months to accept or it lapses and significantly increased fees are quoted to keep it open often without any guarantee that the offer will not be downgraded. A grid connection offer is essential before projects can raise finance but they cannot get finance in just 3 months.
		3. National Grid ESO has been a significant blocker issuing a virtual blanket refusal to connect more than 1 MW of generation, on one occasion citing power line replacement 300 miles away as the reason. Ouse Valley Solar Farm (17MW) has planning consent but it stalled due to connection issues between the DNO and NG. This can result in a loss of confidence and interest by local stakeholders in the organisation and the project, which can seriously impact future projects.
		4. Storage capacity was treated as generation capacity by the grid, rather than as a measure which could reduce constraint or a generator’s export to the grid and move it to a time of high demand or less constraint. There are some massive battery farms going on the network or in the connection queue which take up the connection allowance as if they will be exporting at maximum power at times of peak load. The way network companies treat storage has recently changed.
		5. The [government projects](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003778/smart-systems-and-flexibility-plan-2021.pdf) it will need “60GW of total flexible capacity, with around 30GW of combined short-term storage and demand side response by 2050” Community energy is key to this yet **DNOs have been reluctant to consider flexibility projects**. For example, Lymm Community Energy had a plan for a 5MW solar array but were told they could only connect 2.5MW. They offered to come up with a flexibility option using smart Mixergy water cylinders in the community which would provide 2.5MW of demand at peak generation times enabling them install 5 MW of generation but guarantee not to export more than 2.5MW. Scottish Power Energy Networks were not able to compute this so did not respond.

*Planning*

* + 1. The planning process in its current form is a significant barrier to the community energy sector. It does not prioritise achieving net zero sufficiently or allow certain forms of community benefit to be considered as material.
		2. The de facto ban on new onshore wind installations in England continues to prevent a crucial source of renewable energy from delivering anything like its potential clean power generation. Studies have shown that it is essential to achieving legal net zero targets as well as reducing dependence on imported gas for power and hence reducing bills. In 2022, only two turbines, totalling 1MW were installed in England. In 2023, the Ambition Community Energy turbine was installed, benefitting one of the most deprived communities in Bristol and became the largest and most powerful single turbine in England. It took nine years of determined work. One organisation with thwarted wind plans comments: “We could power our parish with one 2MW wind turbine but current planning only allows small turbines, of which 80 would be required to match”.
		3. The 2023 adaptation of the wording in the National Planning Policy Framework has not made a difference. From September to February 2024 there were no new applications for onshore wind in England. Almost no community energy organisations are in a position to attempt new projects that involve onshore wind. See more detail on our survey of members in our joint letter with Possible to the DESNZ and DLUHC Secretaries of State [here](https://communityenergyengland.org/files/document/952/1719392264_NGOlettertoministersononshorewindplanningApril2024.docx.pdf).
		4. This represents a substantial barrier to reaching the UK’s net zero targets, as onshore wind ought to be one of the cheapest ways of producing clean electricity. Onshore wind power may also have other significant benefits over other forms of renewable energy. [A recent report produced by Possible and Regen](https://static1.squarespace.com/static/5d30896202a18c0001b49180/t/65ddc42fe0e5b8254db4db9e/1709032504821/Wind-powered%2BHeat%2B2024.pdf) and supported by Community Energy England showed that low carbon heat projects could be delivered much more cheaply if partially powered by local onshore wind, because demand for household heating correlates with periods of power generation by wind turbines. The could also deliver carbon emissions savings of up to 90% compared to gas heating. The Bishop’s Castle Heat Initiative, seeking to trial this approach, said “‘it’s taken three years to get permission to apply for permission”.
		5. Community energy projects are not prioritised through the planning process despite offering many times the community benefit of commercial projects, and in most cases having far higher barriers to entry. Community energy projects are often less able to appeal planning decisions or to keep a project on hold throughout lengthy planning processes than large commercial players.
		6. In 2021 the [Supreme Court ruled](https://www.supremecourt.uk/cases/uksc-2018-0007.html) that Resilience Energy, who had mentioned a Community Benefit Fund in its planning application for the Severndale wind turbine, was guilty of trying to buy planning permission. Other planning guidance emphasises benefit to the environment, retaining and developing facilities ‘for the benefit of the community’, so this ruling is anomalous and planning guidance should be amended, with safeguards, to encourage the provision of bona fide community benefit.

*Solar panels on schools*

* + 1. Installing solar panels on schools has been a major success for the community energy sector. Not only do these installations produce clean energy, but they also reduce the school’s energy bills at a time when many are facing financial difficulties. Until recently, community energy projects had been able to install solar panels on schools without getting permission from the Education Secretary for projects up to the value of £2m. However, the Department for Education has recently required some projects to seek permission from the Secretary of State regardless of the value of the installation. This has slowed down the progress of projects, added an additional layer of risk to new projects and is a poor use of government resources.

*Ethical sourcing*

* + 1. In 2021, [researchers at Sheffield Hallam University published a report](https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/in-broad-daylight) detailing the widespread use of forced labour in Xinjiang, China throughout the entire solar panel and equipment supply chain.
		2. Some community energy organisations have made considerable efforts to source solar panels from companies that can demonstrate that their products were not manufactured using forced labour. However, in many cases this has proved impossible. There are no government standards of accountability for supply chains that require manufacturers to demonstrate that their panels were not made using forced labour and in the UK attempts to introduce voluntary standards have not yet been effective in persuading much of the solar sector to take any action in this area. Solar panels with more transparent supply chains can be procured in the UK but the additional cost of these panels would make many community energy projects unviable. We host an ethical sourcing working group to discuss how to overcome these challenges but significant barriers remain.
		3. The key fact is that 98%+ of panels available in the UK use Chinese raw silicon which uses forced labour so it is virtually impossible, until alternative supply chains are created to source ethical solar equipment. Panels made using Chinese coal may have up to 500% more embodied carbon than those (few) made elsewhere using renewable energy.

**Development of projects (barriers listed in the previous section may also apply here)**

* 1. Financial barriers

* + 1. **Lack of ongoing revenue support or certainty** (as provided by CfD or export tariff) has impacted community energy’s ability to prove long-term viability of projects and to attract investment in the way the CfD enables commercial development of >5W projects to do. The removal of ROCs, the FiT and the Export Tariff have all impacted the growth of community energy. The Smart Export Guarantee is neither smart nor a guarantee. Before the energy crisis its level (highest SEG was 5.9p p kW) was just too low to provide enough revenue for a community energy organisation to build projects. Additionally, it provided no long term guarantee to provide certainty for investors. Because export price has not been sufficient, rooftop solar installations have been tailored to the size of onsite demand rather than to maximising the asset and installing as much as possible. Enabling local supply would help with this, too.
		2. The Local Supply clauses in the Energy Bill put the onus and the risk onto suppliers who understandably lobbied against it. The risk (as with the CfD) should be underwritten by the government, providing a floor price for export over at least 20 years.

* + 1. **No ‘right of local supply’ to enable revenue from local sales and projects that can help balance local supply and demand (flexibility)**. Despite years of lobbying, majority support in the House of Commons, undertakings from Secretaries of State and minister to look into the barriers to local supply, Private Members Bills and the recent Energy Bill clauses have been blocked by government and this consultation does not have a specific section on barriers to community energy engaging in local markets. Elexon modification P441 to enable the Energy Local model using the Complex Site derogation to be embedded in regulation is in danger of being blocked by vested interests in the supply companies. The Energy Local model was cited as a case study on p.25 of the [2020 Energy White Paper](https://assets.publishing.service.gov.uk/media/5fdc61e2d3bf7f3a3bdc8cbf/201216_BEIS_EWP_Command_Paper_Accessible.pdf).

* + 1. **No adequate development of other local markets** e.g. flexibility is seriously undervalued. Despite previous Secretaries of State and Energy Ministers saying “the future of energy is local”, very little has been done to enable the system to evolve towards this. Community energy is a key local player with real connections to local energy users. It wants to engage with local energy markets to make its local business model sustainable but this is difficult. Joining up local supply and demand is a key ambition for community energy that is mostly thwarted. Local supply (see above) is still effectively barred. Local flexibility markets exist but the price paid is too little to justify community energy initiating dedicated flexibility or storage projects. This is because the price of flexibility mostly takes account of the avoided cost of reinforcement but puts no value on the carbon saved by a more efficient localised system. This price needs to go up. There should be local markets for energy saving and conservation which values the long-term carbon savings of measures to reduce (and manage) demand. The government believes it will need at least 30GW of Demand Side Response (DSR) by 2050 but currently the market measures to encourage this are woefully inadequate. DSR is something that community energy is uniquely equipped and motivated to provide if the government can enable business models.

* + 1. **Lack of tax relief to de-risk social investment in difficult times** (high interest rates). The early growth of community energy was assisted by the eligibility of projects for the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) which de-risked investment. When eligibility was withdrawn it was promised that Social Investment Tax Relief would replace them. This eligibility was withdrawn before any community energy organisations could benefit from it. SITR ended without replacement in 2023. In a time of high inflation and high interest rates the minimum interest rates that community energy can offer struggle to compete for investment capital with other options including bank savings accounts! Tax relief can offer the carrot that helps people decide to put their money to work locally. The Treasury still labours under the false belief that community energy is low risk, doesn’t “struggle to access finance” and has a “predictable or guaranteed income” which ended with the Feed-in Tariff in 2019. Many community energy business models are focussed on realising uncommercial opportunities - of no interest to purely profit motivated companies.
		2. **Increased costs due to supply chain issues, and high demand and inflation.** High interest rates are affecting access to investment and also lending to help build projects ahead of raising finance. Inflation is increasing supply chain costs. High fossil fuel costs are increasing the cost of production of some renewable energy materials and of transportation. These are affecting many sectors of the economy but can break a community energy project. Despite currently high prices which we can sell our renewable energy for, some projects are not built because the risk from the above factors is too much.

Non-financial barriers

* + 1. **Supply chain and skills issues** make it difficult to deliver projects. “There are simply not enough installers!” One project took 6 months to recruit a suitably qualified retrofit coordinator. It takes time and resources to train existing staff.

**Scaling of projects (barriers listed in the previous sections may also apply here)**

We are taking this to mean barriers to organisations and the sector being able to continue to scale.

* 1. Financial barriers
		1. **Lack of finance/funding for finding sites and pre-feasibility**. [See 3.1.1](#siswy3f2d4io). There are also non-financial barriers to finding sites. See [3.2](#mdsa69ahtrud).
		2. **Lack of funding for support networks and organisations to develop the sector** and ultimately become independent of funding, to help startups establish themselves, to build capacity in organisations to grow.
	2. Non-financial barriers
		1. **Finding sites.** See [3.2.4](#nue4h1ghxmdy). This is a potential limiting factor to sector growth especially in urban areas where rooftop solar is the main generation option and is fraught with complexities. It can also be blamed on the lack of awareness of the benefits of engaging with community energy - partly due to the sector not having been able to grow.
		2. **Succession.** As the sector started to grow, on a largely volunteer base, in the early 2000s, many of its leaders are now older. Its growth stalled just when new leaders would have been coming into the sector. Thankfully employment in the sector continues to grow, up 40% in 2021 and 23% in 2023. However, support is still needed to bring in, train, develop and **retain** a diverse group of younger people to ensure the sustainable growth of the sector. This requires a consistent, long term, sustainable funding model.
		3. **Lack of national policy, community energy strategy or targets for growth** as Scotland and Wales have. Wales has a target of 1GW of community owned renewable energy.
		4. **Shared ownership by the community in the development of renewable energy assets has not been enabled by the government** as provided for in the Community Electricity Right (Infrastructure Act 2015). This has meant that the roll out of renewable energy since 2015 has not been with real community buy-in and has delivered much less community benefit than it could have. Wales has a recommendation that 10% of renewable energy developments on public land should be locally owned. We would recommend ‘community owned’ as ‘locally owned’ can open the door to already wealthy local landowners to take a disproportionate stake.
		5. **No adequate plan for capacity building around skills and supply chain for net zero.** This is resulting in bottlenecks such as the availability of requisite skill e.g. in retrofit, heat pump installation, This is at least in part due to policy inconsistency that make firms reluctant to retrain and employ if they have no confidence that a policy is long-term or properly resourced to deliver. Supply of materials is still dangerously dependent upon import. Solar suppliers are 99% dependent upon China which creates vulnerabilities and the virtual impossibility of sourcing slavery free components.

*Data*

* + 1. Complex meter ownership and responsibilities means that it is challenging to install smart export meters causing loss of income in the first year of operations.
		2. Councils are often reluctant to share data for example, to enable Local Area Energy Planning; and for a HNDU funded potential heat network project.

**Regional differences**

1. Please indicate whether the community energy scheme(s) you typically work with are urban or rural? a. Urban b. Rural
	1. CEE represents both Urban and Rural community energy organisations
2. Are there any regional issues impeding community energy projects? Please include any relevant quantitative and qualitative evidence.
	1. Community energy delivers tangible benefits to local areas while supporting the energy transformation to net zero. Its impact is not replicable through purely commercial or state-led projects. However, community energy is currently not evenly distributed geographically. If the government wanted to maximise the potential of community energy by ensuring that projects were delivering community benefit across the whole country, their strategy must take this into account. Supporting organisations to establish themselves in areas with relatively few community energy projects will require access to expertise and resources, both financial and non-financial. Read our section on the Energy Learning Network under [6.45](#m5e4b1p3hb9o) for more information.
	2. Urban projects had no support following the premature ending of the Urban Community Energy Fund with £8m unspent. Some metropolitan areas, e.g. London and Bristol, have been more supportive than others with the GLA having done 7 rounds of its London Community Energy Fund - with the result that community energy is thriving in the capital. Some eight or nine London boroughs have instituted Community Energy Funds using carbon offset money so a good model for ‘hands off’ community energy support which also encourages collaboration exists.
	3. DNOs vary in their engagement and support for community energy but most are supportive and increasingly understand the benefits that community energy can bring to the system and the energy transition. They have a limited brief to engage with community energy. Sometimes ‘engineers’ responses’ are not as can-do and problem solving as the community energy organisations they are dealing with. Grid connection constraints and times vary from area to area but are a significant problem in most regions. Transmission network constraints are impacting more and more. We hope current reforms will improve things but do not see enough change happening fast enough. See [solutions to grid connections](#yl7707u98ke).

**Suggested changes**

1. Where you have identified possible or actual barriers, do you have any proposals for how these might be reduced or removed, and why do you think the actions you propose would be effective and appropriate? Please include any relevant quantitative and qualitative evidence.
	1. **Policy priorities**: Decarbonisation is an existential issue and must feature in the government’s top priorities. The importance of community energy to achieving net zero must be explicitly stated in policy and properly supported and funded (as recommended by the Environmental Audit Committee). There should be net zero tests for all HMT spending, all government policy (including planning) and in all regulation. DESNZ should be a department of state, like the Home or Foreign Office. A Net Zero Delivery Organisation should be set up to coordinate and enforce policy and delivery across departments and agencies.
	2. **Put in place a plan for capacity building around skills and supply chain for net zero.** This should look at removing dependency on unethically sourced renewable energy materials.

*Funding*

* 1. One of the primary barriers to growth has been the sporadic and changeable funding options available to community energy organisations following the winding down of feed-in tariffs. **What is needed is a longer-term consistent funding source that can be accessed by different types of projects across different areas at different stages of their development.** This could be grant funding, low interest loans or a mix of the two.
	2. *Consistent funding*: the closure of the RCEF without a successor funding stream meant that many otherwise viable projects were not delivered and institutional memory among the net zero hubs had been lost by the time the CEF was introduced (as set out in [3.1.9](#n1aem1kzh4xq)). Patchy and inconsistent funding opportunities have had a particular impact on energy efficiency and fuel poverty alleviation projects, which are some of the most socially impactful climate projects. Recent changes to HUG2 for example have endangered delivery and trust in community energy organisations who are delivery partners. A longer term fund that can be adapted iteratively as needed would better support the sector to grow and help the government achieve its aims while avoiding wasting resources and losing institutional memory. It is also vital to ensure succession to the current leaders in the sector.
	3. *Funding accessible for different types of projects*: one of the major strengths of community energy is its ability to deliver bespoke solutions to local energy challenges. This means that community energy projects vary significantly in their aims. As far as possible, funding should enable community energy to do projects that involve renewable energy generation, energy efficiency, clean heat, tackling fuel poverty, transport and any combination of these. The combination of energy expertise and knowledge of the unique challenges and opportunities faced by a local area is something that only community energy can provide.
	4. *Funding for Energy efficiency, retrofit and heat projects* is lacking or ill-coordinated or not accessible to community businesses. The government should open up the main Energy Redress Fund, focussing on vulnerable customers, to community businesses (currently restricted to charities) and put in place support to enable smaller organisations to access it. Currently it is only very established organisations with money in the bank that can access it as funding is paid in arrears and the financial bars to entry are high.
	5. *Funding accessible across different areas:* funding should be accessible by projects located in rural and urban areas as community energy has a great deal to contribute regardless of environment.
	6. *Create more flexible funding that focuses on CE group requirements* to enable viable projects to happen (CEF is too restrictive and doesn't cover various non project feasibility costs)
	7. *Funding should take account of the ‘hunger gap’* between project development costs being incurred and revenue generation. This can endanger otherwise viable projects. For instance, money is needed to pay for grid connection in advance of financial close. VAT is an added complication even though key items are now zero rated. Projects have had to take our short term loans to pay VAT due to delays.
	8. *A national fund to finance small projects 1MW and under* which lenders are reluctant to fund.
	9. *Grants should be available for community energy organisations to support whole neighbourhoods holistically* rather than just to do ‘projects’.
	10. *Funding should move away from a competitive model* and encourage funders to build relationships of trust with community energy organisations so that they can fund ‘what they do’, rather than only specific projects.
	11. *Innovation funding should be designed specifically to be accessible to community energy* which provides a unique ‘community test-bed’ that can be had nowhere else.
	12. *Award multi-year core funding to some key anchor organisations* like Arts Council England does.
	13. Stipulations such as the **10% rule in RCEF** that forced community energy organisations to outsource parts of the project to consultancies even when they had the necessary expertise in house should be scrapped as has been done under the Community Energy Fund. However more support is needed for sharing expertise and learning and mutual aid (facilitated by Community Energy England). More broadly, the government should engage with the community energy sector while rolling out their fund so that issues like this one can be addressed swiftly.

*Grid connections*

* 1. The government must ensure that grid reinforcement happens at pace and prioritises the grid edge so that local projects can connect and local flexibility can develop at speed thereby reducing the need to overbuild the Transmission network to enable net zero. Network companies must be able to invest ahead of need.
	2. The government should institute a **‘Community Right to Connect’** which would allow projects that are ready to connect and deliver additional social benefits to connect ahead of purely commercial projects, as soon as possible and at a reasonable price.
	3. The government should work with Local Authorities and DNOs to produce maps, that are accessible by community energy organisations, of where there are (or will be in the future) constraints or spare capacity on the grid.
	4. DNOs should be forced to sublet sections of the network for community run systems where appropriate.

*Energy strategy and Local Area Energy Planning*

* 1. **The government should mandate and fund Local Area Energy Planning** across the country to inform the Regional Energy Strategy Planning process as well as initiate strategic local projects. Community energy organisations where they exist must be involved from the outset.
	2. Government should have a national plan for renewables which builds community energy and shared ownership into the roll-out. Current ‘nationally significant infrastructure’ projects permitted by the Secretary of State with no warning or consultation makes communities feel 'done to' and is undermining support for ground-mounted solar.

*Planning*

* 1. The government should reform the planning system so that the ‘purpose of planning’ includes ‘achieving net zero’ rather than the more vague term ‘sustainable development. This was recommended by Chris Skidmore in his [Review of Net Zero](https://www.gov.uk/government/publications/review-of-net-zero) and is included in [Labour’s Energy mission statement](https://labour.org.uk/wp-content/uploads/2024/03/Make-Britain-a-Clean-Energy-Superpower.pdf). Chris Skidmore recommended: “Reforming the planning system at local and national level to ensure it properly supports net zero… wide-ranging local planning reform – from the introduction of a net zero test to a rapid review of bottlenecks in the system – to ensure that it is fully aligned with our net zero future” Labour pledges to “add net zero mandates to all relevant regulators that need it, including in the planning system.” It should also speed up and streamline local planning processes.
	2. As recommended by the [Environmental Audit Committee](https://committees.parliament.uk/publications/5718/documents/56323/default/), the National Policy Planning Framework should allow for the prioritisation of community owned energy developments due to the community benefit delivered for local people.
	3. Establish clear planning policy guidance and work to ensure consistency of policy, interpretation and implementation across all local planning authorities, especially on Conservation Area and article 4 areas. Planning authorities should include 'Community Energy' as a material consideration in their Local Plan renewable energy policy.
	4. Improve staffing and skill levels around energy in local planning departments to reduce delays.
	5. Put in place planning guidance and law to allow community schemes under 5 MW in most rural areas including wind.
	6. The government should fully lift the de facto ban on new onshore wind in England, bringing it into line with other types of infrastructure like solar farms.
	7. The government should increase resource within the Environment Agency for hydropower permitting and rationalise the recent huge hikes in permitting fees. A 226kwp hydro project is at risk as they are concerned that EA will not have resources to permit the new turbine type that is most appropriate for the site - potential for ~£5m investment and 1.42Mwh pa generation could be lost.

*Solar panels on schools*

* 1. The government should remove the stipulation that requires the Education Secretary to approve individual solar projects on school roofs and streamline and improve rules and guidance.

*Ethical sourcing*

* 1. Ethical sourcing of solar panels is a subject that has not been given due attention by the government up to now. The government should consult with researchers, industry representatives and community energy practitioners who are attempting to ethically source solar panels. Given that this is an international issue, the government should also work with other countries and international bodies when developing a strategy to tackle this issue.
	2. The government should institute policies to compel companies to publish details of where their solar panels were produced and work in partnership with the EU to end our reliance on solar supply chains that use forced labour.
	3. The government should initiate a solar manufacturing sector producing everything needed to move away from dependence on China from raw silicon to finished panels and ancillary components (as the US has done). This could become a huge export sector as more people seek to source ethically produced panels.
	4. To provide certainty for investors in smaller and community projects (See [3.3.1](#7fsxd9mg7eam)) the government should provide a guaranteed price for electricity exported as the CfD does for commercial developers of >5MW projects. The risk (as with the CfD) should be underwritten by the government, providing a Community Smart Export Guarantee with a guaranteed floor price for export over at least 20 years.
	5. See [3.3.3](#w9p9cwtdk7vj). Pass the Local Electricity Bill or equivalent. Genuinely explore and remove blocks to local supply. Pass Elexon modification P441 to make the complex site derogation part of regulation.
	6. See [3.3.4](#ednqaocbejzy). Support or mandate DNOs to offer prices in their flexibility auctions that will incentivise community energy to do flexibility projects including build assets (e.g. storage). Enable local supply see [3.3.3](#w9p9cwtdk7vj). The price must value the carbon saved by flexibility as well as the avoided reinforcement of the grid. Develop local markets in energy saving/conservation and DSR/DSM which also value the long term carbon savings of these measures.
	7. Work actively to create local markets in flexibility, local energy sharing/sale, energy saving/conservation. These must work for community energy.
	8. Provide incentives to install energy storage.
	9. See [3.3.5](#ca8dkfwcocra). Open up EIS to community energy and heat generation.

* 1. **Encourage, mandate and fund local authorities to work with community energy** to facilitate the development of local assets, enable planning permission and on Local Area Energy Planning. (There should be a funded Community Energy Development officer in each local authority. In Wales each local authority is required to produce a Local Area Energy Plan and has funding for an officer to facilitate the LAEP.) This should include councils **supporting, funding and investing in community energy.** Support local authorities with clear guidance and training on working with community energy, including templates for contracts, leases, MoUs,
	2. The excellent Pathways Project run by Community Energy South supporting local authorities to set up community energy organisations should be rolled out nationally.
	3. Encourage councils to **procure energy and services** from community energy in recognition of the increased social and economic value it can deliver locally. Provide clear procurement rules and guidance to councils including on social value.
	4. Building skills and knowledge within the community energy sector - support structured training in finance, legal practical and technical skills. Create a Community Energy College (FE/University department)
	5. Support the development and maintenance of a resource base for the sector providing, for instance, template financial models, legal documents, business models.
	6. Support, expand and extend the **Energy Learning Network.**

| *Energy Learning Network*1. The Energy Learning Network is a body that aims to help community energy scale up by sharing learnings and best practices from across the UK. It was set up by Ashden Climate Solutions (Ashden), Community Energy England (CEE), Community Energy Scotland (CES), Community Energy Wales (CEW), Action Renewables (AR) and Centre for Sustainable Energy (CSE) with funding from the National Lottery.
2. The Network is seeking to achieve the following outcomes:

A. Local and regional community energy organisations throughout the UK have more skills and capacity to accelerate and grow community energy projects.B. Better mechanisms for facilitating UK-wide learning and collaboration between community energy organisations and key partners.C. More effective partnerships and collaboration between community energy organisations and key stakeholders (incl. local government, DNOs and financiers) at local, regional and national level.D. More diverse groups delivering community action on energy, with community energy increasingly deployed in low income communities or areas of low social capital aligned with a just transition.1. Government should work closely with the Energy Learning Network to help grow community energy across the UK. The breadth of experience across the nations and regions of the UK will be invaluable for community energy organisations and bodies wishing to work with them such as local authorities.
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* 1. **Shared ownership**. This will be critical to scaling the sector, getting buy-in to and good community benefit from the huge expansion of renewable energy over the coming decades. The Secretary of State must review the Infrastructure Act 2015, overdue since 2021, and institute secondary legislation and the relevant support mechanisms to institute the Community Electricity Right, giving communities more say and more ways to benefit from the planned huge growth in renewable energy infrastructure. The SoS should also consider implementing a Community Right to own a share of transmission assets. The right should confer, where possible, genuine democratic power to local owners, controlling a proportion of an asset.

**Government support for the sector**

1. Which existing or past government support mechanisms and policies have been most helpful in implementing community energy projects and why? Please include any relevant quantitative and qualitative evidence.
	1. The government’s Feed-in Tariff kick started many community energy organisations’ work on generation projects as it provided a long term scheme to guarantee a modest return to investors and some surplus profits to contribute to a Community Benefit Fund which in many cases was dedicated to funding further carbon/energy saving measures to increase the impact of the renewable generation.
	2. The Rural Community Energy Fund was generally successful especially where practical support from the regional Energy Hub (later Net Zero Hub) was good. In the NW Hub region the pipeline of viable projects when the fund ended in 2022 if supported to be fully built out would have mobilised more than £69 of community investment for every £1 of government development funding. This is an extraordinary ratio. Some projects delivered in excess of £100 p £1 of development funding. The ending of the fund was short-sighted as explained above. In many cases community projects were kickstarted in areas of deprivation and to solve intractable problems. The Net Zero Terrace Streets and the Chipping Community Heat project both came out of RCEF.
	3. The premature withdrawal of the Urban Community Energy Fund was ill-considered. In its short life it kicked off a number of important projects.
	4. The government did fund the Community Energy Hub and its replacement with CEE's ‘How to’ pages. Funding via Leapfrog supported early stage projects in the 2010s. DESNZ is funding the [Pathways project](https://communityenergysouth.org/pathways/) by Community Energy South to work with Local Authorities to set up community energy organisations to collaborate on the delivery of Climate Action Plans.
	5. The ‘the UK-wide Growth Funding (e.g. UK Shared Prosperity Fund)’ worked for a very few areas and community energy organisations who were lucky their area was targeted and their Local Authority was collaborative. The Levelling Up Fund did not allow applications for development funding. Community energy organisations have access to capital funding from their investors. They need development funding to build a case for investment.
	6. The Energy Redress Funds (Innovation and Carbon Reduction Fund only - 25% of total Fund) that were opened up to community businesses have been useful. However many organisations keen to access them have found the barriers to entry in terms of financial records and money in the bank necessitated by the fund paying quarterly in arrears a barrier to entry. Many organisations hoping to get reliable funding for their fuel poverty work were disappointed that the Main Fund, targeting vulnerable consumers, was not opened up at the same time.

**The benefits of community energy**

1. Could you share any evidence, either quantitative or qualitative, demonstrating how community energy projects are supporting the delivery of the UK’s national net zero targets and providing additional benefits (e.g., reducing fuel poverty and improving community well-being).
	1. The figures quoted in the following section (8.3) are drawn from our State of the Sector Report 2024, which is set to be published this summer. Please note that had the government not cut community energy support as illustrated in previous answers these figures would have been many times larger. That said, the sector is returning to growth in many areas. For example, [SE24](https://se24.co.uk/) plans to install more in 2024 than it has in its entire 8 year life. [Bath and West Community Energy](https://www.bwce.coop/) are planning to double in size over the next year and with a supportive government and grid connection issues resolved could up that to 3 times.
	2. According to [government commissioned research](https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020) community energy delivers 12-13 times more social and community benefit than commercial projects. Community Wind in Scotland delivers [34 times the community benefit](http://www.pointandsandwick.co.uk/wp-content/uploads/2021/06/Financial-comparison-of-private-and-community-wind-farms-report-FINAL-1.pdf) of commercial projects. Fuel poverty work by community energy groups, which brings carbon, well-being, health and cost saving benefits, yields at least a [9:1 social return on investment](https://www.bristol.ac.uk/media-library/sites/law/research/Nolden%20et%20al.%20BLRP%20No.%202%202021.pdf).
	3. Between 2017 and 2023, community energy in the UK generated 3,415 GWh of clean electricity. There is a sharp upward trend; the sector generated more than 2.5 times the amount of renewable energy in 2023 than it did in 2017. Because almost all of these projects are done locally at a small scale, they simply would not happen without community energy since private companies tend not to operate on that scale and do not have the local expertise to get these projects up and running.
	4. Not only does this extra renewable energy generation contribute to the government’s net zero targets, but it brings additional benefits that would not happen through private sector projects. In 2023, the UK’s community energy sector delivered savings of over £4m through its energy efficiency activities. Between 2017 and 2023, the sector spent almost £10m through its community benefit funds. This demonstrates not only the impact of the sector, but also its potential. Delivering net zero projects by backing community energy generates clean power and brings down emissions but also benefits local communities.
	5. We envisage that with a more favourable policy environment, community energy has the potential to grow rapidly. The sector could become 12-20 times larger by 2030, contribute 5,270MW, power 2.2 million homes, support 8700 jobs, save 2.5 million tonnes of CO2 emissions and add over £1.8 billion to the economy each year, according to [WPI Economics](https://www.spenergynetworks.co.uk/pages/wpi_report_the_future_of_community_energy.aspx). By 2030, we could have a community energy organisation in every local authority area. Community energy’s ability to engage people in the energy transformation will make securing this growth a vital part of the UK’s efforts to reach net zero.

**Providing additional benefits**

* 1. Community energy supports a just transition to a low carbon world
	2. Democratises ownership of the energy system and increases awareness of climate change and energy, giving people agency and a genuine stake in the energy transformation in their area - which they can participate in and talk about and which demonstrates beneficial change and changes people’s relationship to, and the way they think about and use, energy.
	3. Community energy involves the local people, and helps them on their own route to net zero, encouraging behaviour change (not just in relation to energy) and the adoption of renewable energy and new low carbon technologies. This normalises the change for other local people. This is critical to the net zero transition according to the Climate Change Committee and a key part of National Grid ESO’s Future Energy Scenarios.
	4. Community energy is trusted and is many times more effective at engaging people in energy efficiency than commercial or council operations.
	5. Has a strong focus on demand side measures to reduce energy use and carbon emissions which is essential for a successful energy transition.
	6. Creates community connections, which create resilience, new possibilities for action and can empower marginalised communities.
	7. Creates more will, skill and resources to support vulnerable people in fuel poverty. This work can deliver huge additional economic, health and well-being benefits (and social cost savings) as well as very significant carbon savings - often greater than installing renewable energy. These face to face relationships can often bring even wider social benefits.
	8. Helps localise the energy system building more low carbon assets at the grid edge which can connect up generation with demand in creative and Smart Local Energy Systems to provide flexibility which will reduce the need for expensive grid reinforcement (and increase energy security and resilience).
	9. Helps retain more of the expenditure on energy within the local community
	10. Re-invests 'profit' back into local carbon reduction initiatives (as opposed to corporate profits)
	11. Supports Local Authority climate emergency ambitions and plans for which it can be a key local delivery partner.
	12. Reduces local opposition to renewable solar and wind
	13. Invests in green skills, builds supplier base and brings jobs locally - particularly for new entrants and those facing barriers in the job market
	14. Is efficient, tenacious, entrepreneurial and able to realise local opportunities and serve local needs that would be of no interest to corporates.
	15. Is able to progress transition at speed and scale (relative to the commercial sector).
	16. The Energy Local Club model was a case study in the 2020 Energy White Paper: “It benefits suppliers, generators and communities, giving a fair price to renewable generators and developing a suitable package of improved energy controls in the home, particularly for those at risk of fuel poverty as the benefits of local generation can be shared with anyone who joins the Local Energy Club, without having to pay a high capital cost.” It also engages local people in providing flexibility - using energy when it is being generated locally - which could save billions in avoided reinforcement costs as well as giving local people agency over their engagement in the energy system.

**Supporting ‘wider government goals’**

* 1. The covering text to this question says the government also wants to understand how community energy projects "support wider government goals". These include policies promoting health, well-being, inclusion, placemaking, mobilising private investment, "empowering local leaders" (in the Net Zero Strategy and levelling up policy statements). Community energy delivers on all these.

**Wider system impacts**

1. Could you share any evidence, either quantitative or qualitative, of the wider system impacts (positive and negative) of community energy schemes and how any negative impacts can be mitigated.
	1. Community energy has the potential to deliver more wider system benefits than it does currently in many areas of the UK. Especially as local authorities develop Local Area Energy Plans (LAEPs), community energy organisations should be enlisted as partners more frequently to help deliver energy plans and targets.
	2. Some recent collaborations between local authorities and community energy demonstrate the potential of a more joined up approach. [Lincolnshire Community Energy and Energy 4 All worked closely with North Lincolnshire Council](https://www.northlincs.gov.uk/news/help-schools-reduce-their-energy-bills-with-new-community-share-offer/) to install solar panels on local school roofs. This brought down school bills and supported the council’s delivery of its Green Future Plan. Others in Oxford, Bath, Bristol and Barnsley have already been mentioned in this response.
	3. However, these collaborations are not currently the norm for community energy. When establishing an energy generation project, community energy organisations tend to identify sites themselves and overcome barriers associated with the site as the project progresses. However, with a more proactive approach from Local Authorities in partnership with DNOs, they could identify sites appropriate for renewable energy generation and approach local community energy organisations to deliver the project. This would enable them to use the information they have access to to assess any potential difficulties with planning and ascertain where the grid has most capacity for more generation before a project gets underway (which would in itself remove barriers to community energy organisations as set out in [3.1.1](#siswy3f2d4io)). This in turn would enable local authorities to roll out LAEPs more easily with trusted expert community energy partners driving the delivery of individual projects.
	4. As set out in [6.3.9](#bf60tmr0pziy), local authorities should be mandated to work with community energy to deliver these wider system benefits.

**Signed by**

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**Further information**

**Community Energy England** (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 300 organisations. The majority of the members are community energy organisations, but membership extends across a wide range of organisations that work with and support the community energy sector.

[www.communityenergyengland.org](http://www.communityenergyengland.org)