The Rt. Hon. Kwasi Kwarteng MP
The Department of Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

21 February 2022

Dear Secretary of State,

Following a positive meeting with Greg Hands on Tuesday 8 February, in which he was not able to confirm whether the department has plans to continue formal support for community energy out of departmental budgets, we are writing to you as Secretary of State to ask you urgently to **find funding to extend and expand the successful Rural Community Energy Fund into a new National Community Energy Fund to include urban, heat and retrofit projects.**

This is key to remedying a gap or 'market failure' which will exist if the RCEF closes and community energy is forced to rely on local authorities and the *"UK-wide growth funding schemes, such as the community renewal fund, levelling-up fund and the towns fund"* as recommended by the minister in the Westminster Hall debate Empowering Community Energy Schemes, and in this parliamentary answer. These capital or revenue funds are not suitable for community entrepreneurs who need 'at risk' development money to get projects investment ready. Without this 'seed funding' most of these projects will never happen, hundreds of millions will not be mobilised for the net zero transition and huge community and social benefit will be missed.

In the absence of additional funds from the Treasury we ask that you **look into how the £8 million left unspent when the £10 million Urban Community Energy fund was prematurely cancelled** in 2016, (which you identified in our meeting with Annaliese Dodds in February 2020) **can be used to continue and expand the existing, successful Rural Community Energy Fund into a National Community Energy Fund.** This should include rural and urban projects but also heat, retrofit and energy efficiency projects where in many cases community energy is leading innovation. This should be used to mobilise additional funding from departmental budgets. This is provably a good investment of government funds - (see details below).

A National Community Energy Fund, in recognition of its increased remit, taking in urban populations and the difficult challenge of heat and retrofit, should start somewhere above the current RCEF level and increase year on year. We recommend - based on best estimates of demand, a first year pot of £4 million, second year £8 million, third year £16 million - totalling £28 million.

The Environmental Audit Committee said, *"Due to the urgency of the climate crisis and the vital roles communities will have to play in reaching net zero, it is essential that a timely solution to support the long-term growth of community energy across the UK is found."*

Allowing the RCEF to close would kill momentum and new energy for local climate action (increased by COP26) and prevent many dynamic, entrepreneurial citizens and community businesses from playing those "vital roles", inventing, advocating for and delivering net zero solutions at scale, along with huge social, environmental, community and public engagement benefits. It would also lose the expertise and support of the brilliant RCEF teams which are saving money and making real projects happen. This seems a waste when, as the Levelling Up statement eloquently said, we need *"every individual and community to achieve everything of which they are capable. We need to fire up every resource we have."*

RCEF provides a consistent, sector specific, source of relatively small grants of early stage development funding which enables a growing pipeline of increasingly large rural community energy projects to get 'investment ready', mobilising much greater sums of committed community investment. UK-wide growth funding schemes, being capital or revenue funding, do not provide this kind of support, where the funding is 'at risk' and could be lost until the project is developed to a point where it is investment ready. Community energy organisations often lack the assets to borrow against, or the wider financial security of their commercial counterparts and are not in a position to invest their own funds 'at-risk'.

The national funds also run in cycles (for instance all the schemes the minister mentioned are currently closed), have funding criteria that prioritise other issues and so threaten to squeeze out funding for community energy, and target specific parts of the country, severely limiting community energy organisations' ability to tackle important decarbonisation challenges and engage with time sensitive projects - most of which will be of no interest to either local authorities or commercial developers.

When the RCEF ends in March this will be a critical gap (or 'market failure') in the future support for community energy groups which will mean that many opportunities will not be realised - opportunities that harness local passion and entrepreneurialism (increased since COP26), expertise and capital - but that without community energy simply will not happen.

The RCEF has been particularly effective at bringing on new community energy groups - which are springing up all over out of people's desire to take local climate action. This energy must be harnessed and enabled to grow or it will dissipate. In the NE of England 150 organisations have applied to RCEF and 33 have been awarded £1.4million funding towards rural community energy feasibility studies.

The RCEF is also incredibly efficient at leveraging financing and enabling community energy to scale. In the NW of England the RCEF pipeline has 105 megawatts of hugely various projects including combining hydro and EV car clubs, solar and wind providing affordable power for community ground-source heat pumps. Development funding of £921,250 from RCEF will enable projects with a CapEx of more than £64 million. That is a nearly 70:1 ratio of finance to development money. Yet without this development finance none of those projects would happen and all the compounding knock-on benefit would be lost.

If RCEF continued beyond April, for instance, it could enable a 7 x 3MW community wind farm proposal outside Oldham which would mobilise £20m of community investment. This would be a game-changer for the community, bringing them a revenue of ~£5m a year which would go towards fuel poverty alleviation, which yields a 10:1 social return on investment including health cost savings to government. This shows the need for this type of funding and its power at developing local projects at scale.

Community energy generates proven benefits and a high social and financial return on government investment. In 2018 development funding on average leveraged more than seventeen times more finance[1]. Community energy generates 12-13 times more community benefit than commercial schemes according to government commissioned research[2]. Community energy fuel poverty work generates £10 of social benefit for every £1 spent[3]. Community wind in Scotland generates 34 times more community benefit than commercial projects[4]. In 2020, community energy's most difficult year ever, 358,000 people were engaged on energy and climate; 84 new jobs were created; £6m of community benefit was delivered including £2.9m saved on residents bills and £30m of community investment was raised[5].

Community energy doubled in size every year between 2014 and 2017 and can do so again if the government is prepared to 'light the blue touch paper' with early stage funding. To change the metaphor, this will mobilise an army of local, trusted, highly-motivated,

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1 https://communityenergyengland.org/files/document/383/1591711634_2019CommunityEnergyStateoftheSectorReport.pdf

2 https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020

3 https://www.bristol.ac.uk/media-library/sites/law/research/Nolden%20et%20al.%20BLRP%20No.%202%202021.pdf

4 http://www.pointandsandwick.co.uk/wp-content/uploads/2021/06/Financial-comparison-of-private-and-community-wind-farms-report-FINAL-1.pdf

5 https://communityenergyengland.org/files/document/523/1624438045_UKSOTSReport.pdf

entrepreneurial allies to invent, advocate for and deliver climate solutions at scale towards Net Zero - alongside huge social and community benefits.

We would like to meet with you urgently, and with key officials, to demonstrate further why a National Community Energy Fund must be part of BEIS departmental planning and would be an excellent investment, and to propose future models of self-sustaining development finance. I would like to invite to the meeting, Kate Gilmartin, the Community Energy Investment Lead for the RCEF NW region and Pete Capener, co-founder and Managing Director of Bath & West Community Energy, co-chair of the Community Energy Contact Group and deputy chair of Community Energy England.

Yours sincerely

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