The Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London
SW1A 2HQ

9 June 2022

Dear Chancellor,

Community renewable energy projects should be excluded from any 'excess profits' levy .

The UK government is reported as considering a windfall tax on renewable energy operators, including a tax on on-shore wind, or on renewable projects that have benefitted from subsidies such as Feed In Tariffs (FITs) or Renewable Obligation Certificates (ROCs).

If implemented as described in media reports, such a proposal has the potential to badly affect hundreds of community energy projects across the UK. These cooperatives and community benefit societies are typically the result of local people working together over years to raise small amounts (typically around £250 per investor) to finance local projects. They generally, for a variety of reasons, do not generate the rates of return created by large commercial projects and are already legally restricted in the levels of financial return that they can offer their members.

This principle of prioritising a wider community benefit rather than maximising members' financial returns is a defining feature of the sector. As an example, in recent years, Bath & West Community Energy has donated over £300,000 to support local community groups to take action on carbon reduction and fuel poverty. Westmill Wind and Solar Coops have together distributed more than £700,000 in community funding. In Wales, in 2021 alone, community energy organisations distributed nearly £300,000 to their local communities to support a variety of projects and helped save local households over £200,000 on their energy bills. In Scotland, Point & Sandwick Development Trust has distributed over £750,000 from their community benefit fund in the last couple of years, many times more than equivalent commercial operators, and has committed to funding a range of local projects until at least 2025. Discussions on how to best utilise any additional funds for the benefit of the community, during the energy crisis, are happening in community energy organisations right across the country. The sector has been ramping up its fuel poverty work in response to the energy crisis.

Moreover:

- 2021 was a historically low wind year in the UK. Many community renewable projects have actually struggled to make any return.
- The onshore Westmill Windfarm is proposing a share dividend of 2.5% to its 2,200 members. Returns in earlier years have typically been around 4%.
- Returns on community energy projects have already been depressed because of an earlier (retrospective) government decision to reduce the life of ROC payments.

- More widely, the community energy sector pays investors between 3% to 6% with, as outlined above, any profits beyond this spent on charitable environmental or community improvements in the local area.

- Community projects show their members how to be more sustainable and energy efficient - a key objective for a country facing a climate emergency and energy crisis. They engage people in a practical way rather than expecting the major transformation of UK infrastructure to be done for them or to them.

Community-owned renewable energy is amongst the most popular of climate-friendly initiatives with the public, with 82% supportive of increased government support for the sector in recent polling. Support for these projects extends across age, gender, area and social class.

Community energy is essential to achieving ‘net zero’ through engaging the active participation of the public and by devising and delivering the local solutions that will make it happen. Taxing it further would undermine community energy’s ability to support net zero and to deliver significant local benefit, for instance via local energy efficiency and fuel poverty advice and remediation, at a time of major crisis and anxiety when local people are crying out for all the help they can get.

Including community energy within a broadly targeted energy levy would raise relatively little tax, but would seriously damage the economics of the sector, have huge negative community impacts and provoke public outcry from community energy investors and workers across the country. It could mean the tens of thousands of people who have supported local energy projects, in good faith, could lose part or all of their money.

The money raised by such levies would be at the expense not of large companies, but individuals and communities. For this reason Community Energy England opposes any approach to levy an additional tax on community renewable projects or retrospectively to change the ROC and FIT payments, which constituted promises from government, on the basis of which thousands of local people committed often small sums.

We urge you to avoid any damage to community energy, and in turn damage to trust in government amongst a broad swathe of project supporters, in any proposals to address windfall profits in the electricity sector.

Yours sincerely

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