

**JRF briefing paper:
Community Assets**

The role of community energy schemes in supporting community resilience

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November 2010

This paper:

- examines community energy projects and their relevance to climate change;
- explains the different approaches to creating renewable community energy projects; and
- discusses how similar community projects may be funded in the future.

The Joseph Rowntree Foundation (JRF) commissioned this paper as part of its seminar on ‘Community resilience to climate change’, one of a series of seminars on Community Assets. These explore community ownership and management of assets, and their importance for a thriving society.

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This paper was commissioned by Joseph Rowntree Foundation as part of its programme on Community Assets which explores community ownership and management of assets and the importance of this for society today.

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Introduction

This paper has been prepared as a contribution to the Joseph Rowntree Foundation's research into how community control of assets can support community resilience to climate change. It is written from a practitioner's perspective of a rapidly developing field in which the author's organisation, Community Energy Scotland, has played a central role.

It begins by briefly discussing the relevance of community energy projects to climate change and then how they contribute to community resilience. 'Community energy projects' are taken to mean renewable energy developments by geographically defined communities and which are wholly or partly owned by community organisations.

It then provides an overview of current approaches and delivery models for community renewables development in Scotland. These models are reviewed considering the extent and nature of community control of assets involved and related community benefits arising. The policy, incentive and regulatory context for community energy development is then considered along with the implications of changes in this context for the future development of community energy schemes.

Key points

- Projects typically fall into two categories: 'facilities-projects', mostly designed to heat a community facility; and 'revenue projects' designed to generate income from the sale of power.
- The majority of projects undertaken so far are owned and operated by non-profit distributing community organisations, in which the group owns the asset on behalf of the wider community.
- A much smaller number of revenue projects are being developed as joint ventures between private companies and community groups; and by co-operatives. In these cases, the community has less control of the asset and has less involvement in its development.
- There is one example of a project where a community group has secured rights to a single wind turbine in a large commercial development which generates a revenue stream for the community. So far, this has not been replicated widely.
- The extent of development by non-profit groups reflects the level of public funding support that has been available in Scotland and its focused delivery by Community Energy Scotland.
- With severe pressure on public funding, new models for financing community owned project development will need to be found if the momentum gained is to continue.

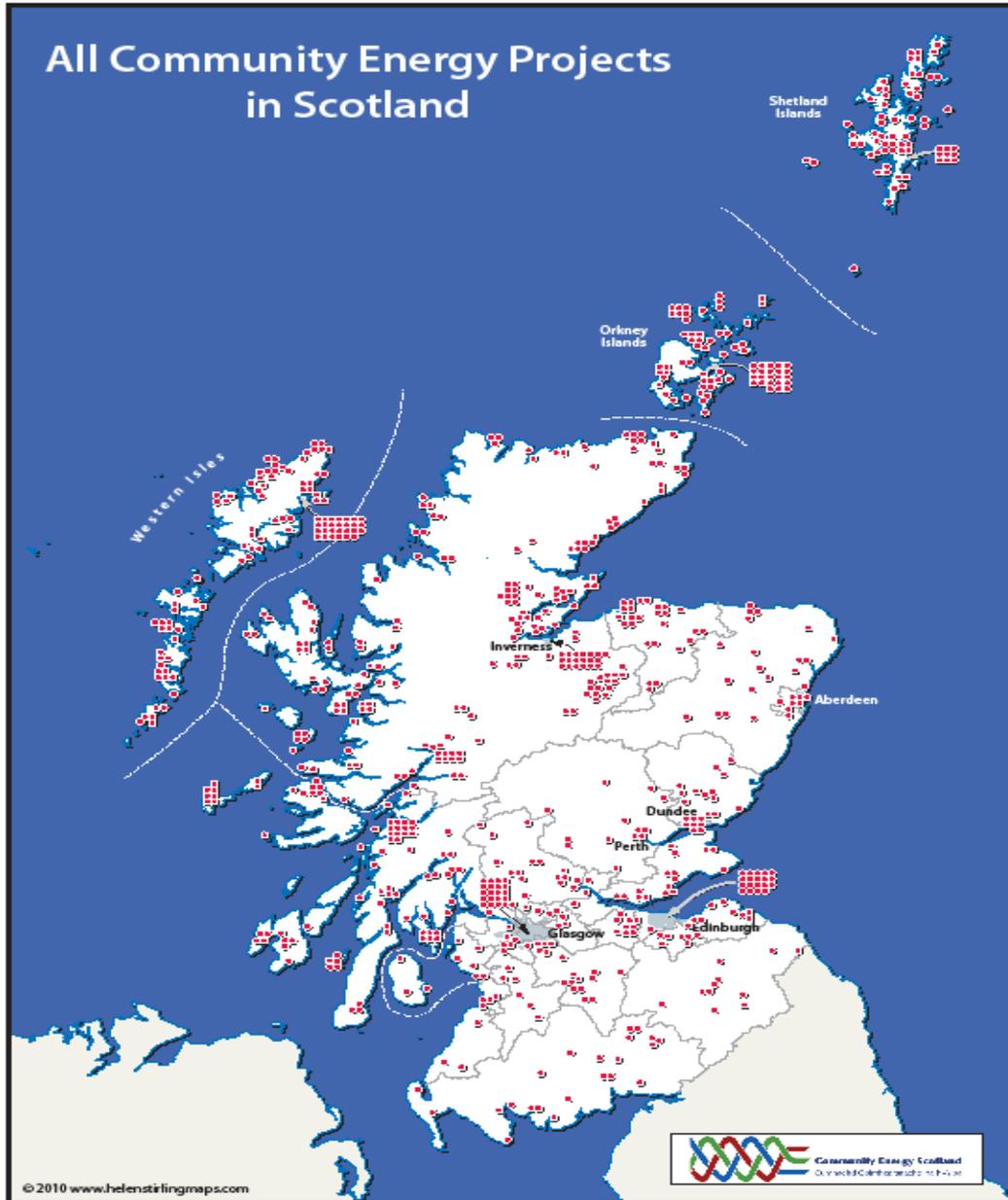
Introduction: Community energy projects and climate change

Over the last eight years, community energy projects have had an extraordinary effect in mobilising voluntary effort in Scotland. Figure 1 shows that over 800 community energy projects were completed or in development in Scotland by September 2010. This includes both 'facilities' projects, where a project provides heat or power to a community building; and 'revenue generating' projects, which are designed to sell power and gain an income for the community. The map shows a wide distribution of projects, with the majority in rural areas. In the last year, there have been a growing number of projects in the central belt and urbanised parts of Scotland, reflecting the widening role of Community Energy Scotland (CES).

Community Energy Scotland is a registered Scottish charity and social enterprise. Its purpose is to build confidence, resilience and wealth at community level in Scotland through sustainable energy development. 'Sustainable energy development' is taken to mean development of projects designed to eliminate wasteful and inefficient energy use and generate energy from renewable means.

A membership organisation, CES is open to non-profit distributing community-based organisations in Scotland. In this way, CES itself is a community-owned organisation

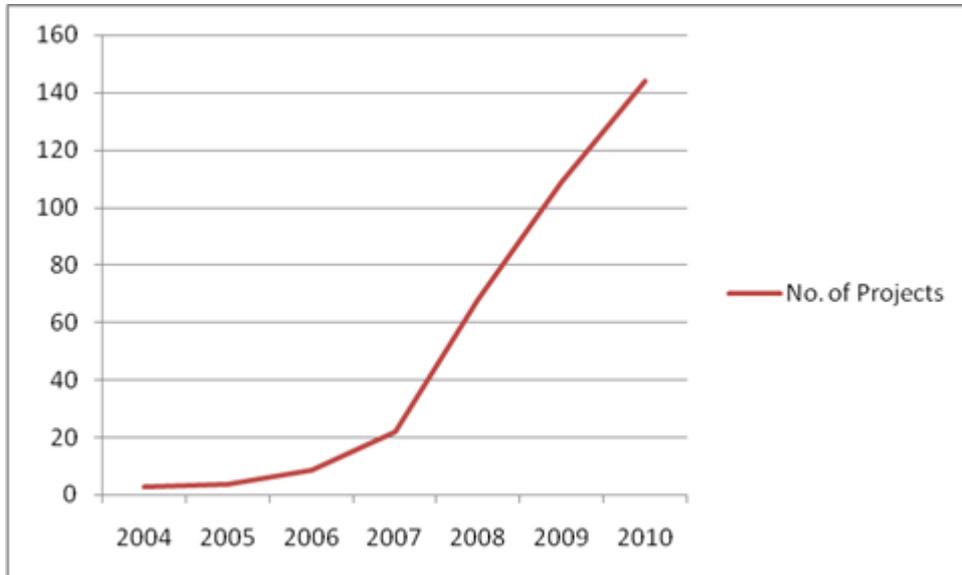
Figure 1: Community energy projects in Scotland



Source: CES

The motivation for communities to engage in what can be complex and lengthy project development processes stems largely from the way in which these projects can directly address longstanding community needs, whilst at the same time empowering volunteers in a very practical way to act on climate change and, in particular, the drive for low carbon and renewable energy. The attraction of multiple benefits is a strong driver, as shown by the growth in the number of not-for-profit groups developing larger-scale revenue-generating projects in recent years shown in Figure 2.

Figure 2: Growth in the number of non-profit distributing groups developing revenue generating renewable energy projects



Source: CES

This graph refers only to the larger scale, more complex projects that can take a number of years to complete. These comprise small wind farm developments (e.g. schemes with 1-3 turbines almost all with less than 5MW installed capacity) and small hydro schemes mostly with less than 100kW installed capacity.

In addition, a picture is emerging of a constellation of community-based organisations that are not stopping at completing one project (such as the installation of a renewable heating system in a village hall) but going on to promote wider low carbon measures in their communities and develop more ambitious projects. In this way, a popular, grass roots movement is developing and generating real change at local level in Scotland.

Publicly funded grant schemes have played a vital role in triggering the scale of activity to date. The first significant scheme was the Scottish Community and Householder Renewables Initiative (SCHRI), which began in 2002, funded by the then Scottish Executive. This was complemented by schemes funded by Highlands and Islands Enterprise and The Big Lottery. More recently, the SCHRI has been replaced by the Scottish Government's Community and Renewable Energy Scheme (CARES). These schemes have all been delivered by Community Energy Scotland.

Community energy projects and community resilience

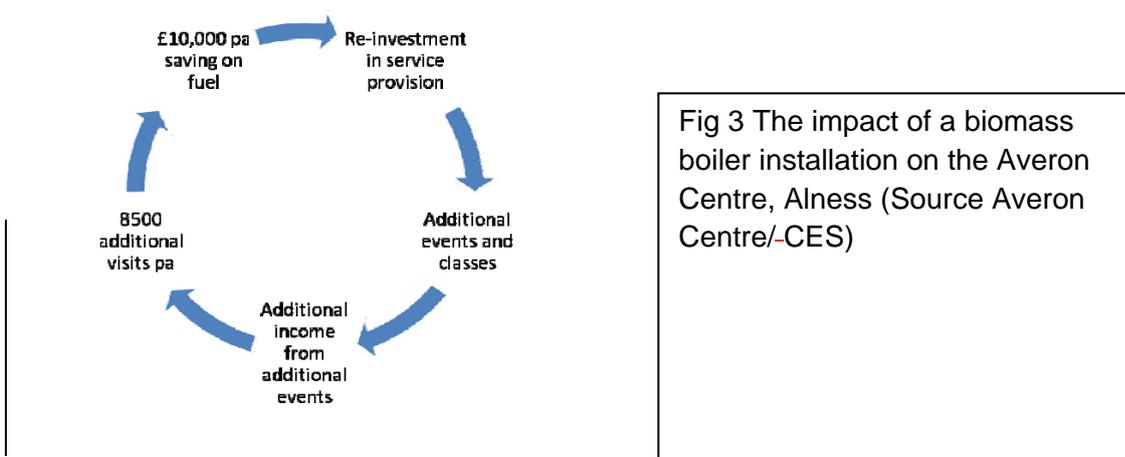
Community resilience is taken here to mean communities having the confidence, capability, resources, knowledge and skills to address adverse factors affecting their cohesion and development. These factors include dramatic events such as extreme weather events; energy cost spikes; blackouts and energy insecurity; and national financial crises; as well as more chronic issues such as rural depopulation; fuel poverty; ageing communities; urban deprivation and unemployment.

Community energy projects can help to build resilience as well as provide a basis for promoting wider behavioural change to address climate change. Projects typically contribute to resilience in three ways:

1. By improving the comfort and utility of community facilities, by making them warmer, more energy efficient and cost-effective to run, especially in the light of increasing fossil fuel costs;
2. By generating long-term revenue which offers the prospect of change at community level; and
3. By encouraging the acquisition of transferable skills, increasing volunteering and strengthening community groups, and promoting wider awareness of energy related and climate change issues.

Improving community facilities

An illustration of action on community facilities is provided by an early project to install a biomass boiler (using locally sourced woodchip) in a community-operated leisure centre in Alness, Highland. The effect of this project has been to help the leisure centre to reduce its energy costs significantly and allow it to provide more and better services to its community. The impact of this is summarised in Figure 3 below:



Generating long-term revenue for the community

Long-term revenue generating projects are typically taken forward by Development Trusts anchored in their communities. In all cases assisted by CES, such trusts have developed projects from scratch. Part of the development process has been the preparation of community development plans, identifying priority community needs and where revenue will be spent. These plans typically contain measures to address local development needs and related issues such as fuel poverty or local food production. By far the majority of projects are based on developing a single wind turbine, typically around 900kW scale. Once installed and connected to the grid, these will generate a net revenue of around £100,000 per annum. These projects are discussed in more detail below.

Strengthening community groups, and promoting wider awareness of climate change

Community Energy Scotland recently commissioned some initial research (Bryan, 2010) to examine the impact of projects on community groups and their wider communities and to provide pointers to help some more detailed social impact assessment. In particular, 84 community groups undertaking either 'facilities' projects or 'revenue generating' projects were invited to give an opinion on the nature of their project's impact so far. Although only an initial survey, the results are relevant and summarised below along with some views from respondents.

The impacts of involvement included increasing awareness among the wider community and a renewed sense of purpose for the organisation.

What impact has your project had on your group and on the wider community? (multiple responses possible)	Response Count
Awareness and support for the group and our work has increased	28 (54%)
The group now has more enthusiasm and a renewed sense of purpose	25 (48%)
The group is financially more self sustaining	21 (40%)
More people from the wider community have become involved in our work	18 (35)
The group has gained new membership	12 (23%)
There has been no change	8 (15%)
TOTAL RESPONDENTS	52

'The project has encouraged us to network more and this has led us to new sources of expertise for other parts of our social enterprise. It has also been concrete evidence of our will to move forward into the future and not just do the same as we have always done and this has generated new enthusiasm for our work and new optimism for the future.'

“The biomass system is a visitor attraction feature in its own right. We regularly host visits from others exploring the options of biomass boilers.”

“At this stage – the project has raised awareness and involved more people from the community in green projects.”

(respondents to survey)

There is a clear indication that the majority of groups gained more skills as part of the development of their renewable energy project, whether that was in order to do the development themselves or whether it was in conjunction with hiring some professional help. Almost all of those involved with revenue generating projects (13 of 14) reported that ‘Yes, our committee has developed new skills’.

Has your committee learnt new skills in the development of your project (e.g. project management, financial management, managing consultants etc.?)	Response Count
Yes, our committee has developed new skills.	34 (65%)
No, our committee had some skills already and we engaged professionals with other relevant skills.	10 (19%)
No, our committee had the skills already.	6 (11%)
No, we engaged professionals with the relevant skills.	2 (3%)
TOTAL RESPONDENTS	52

A further question then explored which skills (if any) had been gained by the groups and the results are provided below. Note this question was only completed by 35 of the 52 respondents and the percentages reflect the lower figure.

If you answered yes to Question 6 above, please tell us what new skills your group gained through undertaking this project (multiple responses possible)	Response Count
Renewable Energy Technologies & Energy Efficiency	29 (83%)
Securing Funding	27 (77%)
Project Management	22 (63%)
Community Consultation and Engagement	18 (51%)
Financial Management	16 (46%)
Managing Consultants	12 (34%)
Facilities Management	6 (17%)
Other	2 (6%)
TOTAL RESPONDENTS	35

These initial survey results suggest that an energy project can provide a basis for increasing the capability and confidence of community groups to tackle the issues they face.

Current approaches and models for delivery of community renewables

Public discussion in the mainstream media of community energy development or community renewables tends to assume that community projects arise from local private investors combining to take forward a project. In fact, in Scotland, the vast majority of projects have been taken forward by community groups – which have raised funds from various sources and used the profits generated to invest in projects determined by the community. In all cases, the projects build local decision-making, awareness and knowledge about energy and climate change as well as very practical and skills (e.g. on project management, financial management) which build resilience. The creation of bespoke funding schemes by the Scottish Government and Highlands and Islands Enterprise, delivered by Community Energy Scotland, has facilitated this trend.

There are, however, a range of project models that apply as set out in Table 1.

Table 1: Broad classification of community energy projects

Model	1 For Profit	2 Profit and non-profit distributing	3 Non-profit distributing	4 Community benefit
Description	local developments providing opportunities for local private investors and 'small' investors nationally	joint venture arrangements between private and non-profit distributing companies	developments by non-profit distributing bodies on behalf of all people in a community	'community benefit' arrangements with private commercial developers
Developer	E.g.: co-ops, farmers, other rural businesses	E.g.: private landowners and local development trusts	E.g.: local development trusts, community interest co-ops	E.g.: wind farm community benefit payments
Ownership	Individuals, profit distributing companies and co-ops	Special purpose vehicles (joint) or Two separate companies, private and community	Community group	Developer
Legal basis	Companies ltd by shares; Industrial and Provident Society with profit distribution	Companies ltd by shares with both partners owning shares; or separate companies ltd by shares, one owned by community group	Typically company limited by guarantee with trading subsidiary limited by shares	Payments usually to an existing community trust or one established for purpose
Main beneficiaries	Private individuals	Both private individuals and community groups	Community groups and wider community	Wider community

Individual profit.....>Community/non-profit.....>

Box 1 'For Profit' refers to a handful of projects taken forward by farmers and landowners, which are small relative to commercial energy developments. It also includes seven projects based on an Industrial and Provident Society (IPS) model designed to attract small investors, especially people from communities near to commercial wind farms.

Box 2 'Profit and non-profit distributing' reflects a growing trend of linkage between non-profit community groups and local farmers and landowners as well as – in at least one case – a wind farm development company. Community Energy Scotland is currently supporting 11 community groups to engage in joint venture energy projects.

Box 3 'Non profit distributing' encompasses the majority of projects to date, including facility-based projects designed mostly to provide heat and around 139 larger-scale revenue generating projects, again with development support being provided by CES.

Box 4 'Community Benefit' simply acknowledges that many commercial scale wind farm projects pay 'community benefit' payments to local community trusts on a voluntary basis. The schemes themselves are not community assets, but there is one novel example where a deal was struck between a community group and a developer that involved community benefit payments which enabled the group to purchase a stake in the wind farm, which should ultimately lead to the community owning an actual wind turbine.

There are far fewer examples of projects falling into categories 1 and 2 so far.

The four models of community energy schemes

The four main models for developing schemes set out in Table 1 are examined in more detail here, particularly with regard to the nature and extent of community control of the assets and the benefits arising from these schemes.

1. For profit investment co-operatives

There has been growing interest in the potential of Industrial and Provident Societies or IPSs (also known as co-ops) in renewable energy development. Energy4All (orE4All), a UK organisation, has led the development of a form of co-operative that provides an opportunity for private individuals to join an IPS through a share subscription. The fund raised is then used to develop a renewable energy project. So far this approach has only been used by Energy4All for wind energy projects. In Scotland, all commissioned E4All projects have been led by a private wind farm developer, Falck Renewables. E4All's role in each development has been to promote and manage the development of a co-operative of local investors who then, via an IPS structure, collectively buy into a commercial wind farm. Investment is sought according to a prospectus governed by the Financial Services Authority. This is targeted at communities near the wind farm development. If insufficient investors come forward, investors from elsewhere are considered. Anecdotal information indicates that the investor profile has varied from project to project, with the Ben Aketil (www.skye.coop/sky_home.asp) development on Skye attracting a majority of local investors but other projects requiring investment from further afield to meet their targets.

These co-operative-based investment schemes have, so far, been able to attract Enterprise Investment Scheme tax relief, which has increased their attractiveness to private investors.

These local co-ops are not part owners of the actual development – they do not own a physical asset. The private developer retains ownership of the physical development. The IPS typically buys the right, through a royalty agreement, to a share of the income from the sale of power. Local investment co-ops are encouraged by E4All to assign some of the proceeds to local good causes, but the majority of profits will be distributed to shareholders. There are currently seven wind farm developments in Scotland, four of which have been commissioned.

Energy4All is also pursuing the development of one wind farm in Scotland, at Torrance Hill in Lanarkshire, which will be owned entirely by a co-operative of investors, rather than a commercial wind farm developer. This project is in the pre development stage and has not yet secured planning consent.

Discussion

The investment co-op approach has enabled local people to invest in renewable energy and, consequently, facilitated the development of wind farms that might otherwise have generated local opposition. In all cases local investors have taken up

this opportunity. These schemes are not dependant on public grants, although they benefit from tax incentives. Given the IPS structure, all shareholders have one vote irrespective of their level of investment. However, only those individuals who feel sufficiently wealthy to invest are likely to be attracted to the opportunity.

The degree to which investment co-ops such as these can be regarded as community assets is a moot point. The development itself is owned and controlled by the private developer. The co-op is managed by a board appointed by the shareholders. The wider community has no say in the co-op, but may benefit in a small way by donations by the co-op to local good causes. Collective ownership goes only as far as the shareholders in the co-op. Their fundamental purpose is to generate investment returns for private individuals keen to invest in renewable energy. They are exclusive as not all people are able to invest. On the other hand, they have the effect of mobilising private capital to generate renewable energy that contributes to efforts to mitigate climate change.

One interesting area for further development is the scope for linking investment co-ops such as those developed by E4All with non-profit distributing community projects. This would help keep revenues in the local economy.

2. Joint ventures between community groups and private companies

Community Energy Scotland is currently involved in supporting community groups in 12 joint venture projects. Communities are increasingly undertaking joint ventures when they are invited to participate in a renewables project in their locality by a private company, which typically hopes to ensure that the development will secure greater community support as a consequence. Less commonly, communities locate a promising renewables site in their vicinity and seek a joint venture partner with which to develop it. The potential for joint ventures to deliver relatively small scale renewable energy projects (such as wind and hydro) is considerable.

Communities can see joint ventures as less risky than undertaking wholly-owned community projects as the partner may bring in skills and experience not available in the community. Private joint venture partners provide the risk funding for the pre-development stages and capital finance, thereby minimising the financial risk to the community. If the community is the minority partner in the joint venture, they may have significantly less control and participation in the project than if they were developing a wholly-owned community project and would therefore not see such great benefits in terms of capacity building and skills development.

There are two distinct models of ownership being used. In the majority of joint ventures the community group and private partner have set up a new company with joint shareholdings, which will own and operate the development. The second model is a partnership where the community and private partner form a joint venture to develop the project only. Both contribute to the pre-development costs to gain development cost savings and economies of scale, but, once developed, each have separate ownership of part of the eventual scheme – in effect, two separate but close projects.

(a) Joint venture with ownership in shares

When a joint venture is undertaken by a community and private partner with shares, the wind farm itself is usually owned and run by a new company for that specific purpose, often a Limited Liability Partnership (LLP) or Company Limited by Guarantee. Profits are distributed to the shareholders after operating and other costs have been paid. Some examples have more than two investors. Each investor will have a percentage ownership of the LLP.

The community groups are often the minority shareholder in this model of joint venture and therefore have less control over the project. If the joint venture has been formed early on in the project, the community may have the opportunity to contribute their share of the pre-development costs of the project and therefore take on a share of the risk. The value of the community's contribution to the project is far higher pre-planning as the value of the site increases considerably on gaining planning consent. For example, if the cost of obtaining planning permission for a 2MW site is £50,000 and a community group contributes half, the site could then have a value of £500,000 of which the community own half.

Public grant funding and loans can be very difficult to access for communities with a minority shareholding in a joint venture with shares. Most public funders like to see community ownership and control over an asset.

(b) Joint venture with partnership in development

With this model the community sign a collaboration agreement with the private partner to share the costs, risk and work involved in developing the wind farm to gain mutual benefit from economies of scale. The two partners will eventually own two separate wind farms, usually with separate land lease and finance.

These partnerships are in effect, both joint ventures and wholly-owned community projects and therefore bring the benefits of both to the community. The community has shared control of the project during pre-development with eventual complete control of part of the development. Discussion

Joint ventures as considered here offer an opportunity to extend community energy development on to sites which would otherwise have been developed by private interests only. In effect, the community group brings its influence to the table in return for an asset which it may not otherwise be able to secure.

Joint ventures are therefore more complex than single-entity projects but also considerably widen the opportunity for the development of community-owned assets.

3. Developments by non-profit distributing community organisations

Currently there are four projects in Scotland wholly developed and owned by non-profit distributing community organisations. These are on the islands of Gigha (Gigha Renewable Energy Limited); Tiree (Tiree Renewable Energy Ltd), Westray (Westray Renewable Energy Ltd; and at Findhorn, Morayshire (Ekopia), which is based on a different model than the first three. CES is currently working with around 138 projects that are similar to these, mostly wind or hydro developments.

Typically, these projects have been taken forward from scratch by existing or newly established development trusts, taking the legal form of companies limited by guarantee with charitable status. It is normal for all residents in a community to be eligible for membership at a nominal sum (e.g. £1). Wholly-owned trading subsidiaries limited by shares are normally established to own and operate the development, thereby isolating the charity from the risks associated with running the business. The subsidiary then gift-aids a proportion of the revenues back to the parent body.

The Westray Development Trust's 900kW wind turbine is an example of this model. There were considerable setbacks and challenges, especially relating to grid connection and turbine procurement. The project took almost six years from conception to completion with the turbine commissioned at the end of 2009, but is now generating over £100,000 per annum net revenue.

In all cases, part of the development process has been the preparation of a community development plan based on wide consultation, designed to identify and address particular community needs. In this way, the development is closely linked to community need. Although each development plan is different, they have similar themes, many seeking to address local issues such as fuel poverty, training and development of young people, support to local businesses, housing and investment in further developments designed to generate revenue.

The main weakness of this model is its current dependency on public grant funding, the future of which is uncertain. Its great strength is that it allows all in the community to engage (as members) and is highly responsive to community need as defined by the community itself. It strengthens community-based organisations and increases their leverage in securing finance for further developments.

At Findhorn in Morayshire, a community wind farm has been developed on a different model as a community benefit co-op (for further details see <http://www.findhorn.org/aboutus/community/ekopia/>). Community benefit co-ops are a form of IPS where members invest private funds for a social purpose, but where profit distribution is not permitted, unlike the investment co-op referred to in box 1 (which allows profit distribution). This is the only example of a renewable energy project of this type in Scotland. In this case, an existing IPS, Ekopia, took forward the development of the small wind farm initially by raising around £28,000 from local investors. This allowed Ekopia to secure a 30% shareholding in the scheme and to draw in finance from other sources including Energy4All.

In England, a similar approach has been taken with a hydro development in the Peak District. The Torrs Hydro development at New Mills has been developed through a combination of a share subscription via a community benefit co-op and public grant. This model provides a strong element of community equity into a project but clearly depends on a community having a sufficient number of residents committed to wider social aims and prepared to invest private capital on the basis of a social, rather than a financial return.

4. Community benefit arrangements with commercial wind farm developers

There is one operating example in Scotland of a novel arrangement between a local community organisation, The Fintry Development Trust (FDT), and a private wind farm developer, Falck Renewables. This goes well beyond the normal 'community benefit' arrangements linked to commercial wind farms which typically offer £1000–£2000 per MW of installed capacity. These funds are usually directed to a local trust for environmental or energy related projects.

The arrangement between the FDT and Falck is confidential but is thought to entail a benefit deal in which FDT have a mortgage on a single turbine in the high profile, wider development which is owned by Falck. (For more information, see <http://www.dtascot.org.uk/content/what-is-a-development-trust/case-studies/fintry-development-trust>.)

It is widely seen to be a very good deal for the community and most unusual across the renewables industry, as the community itself did not need to raise any capital to buy into the scheme. Ultimately, the scale of benefit falling to the community will be equivalent, or possibly greater to that generated by the approach summarised in Box 3.

The income accruing from the energy generated by FDT's turbine will gradually pay off the capital cost of this over a 15-year period and in the meantime generate some funds for the Trust. By the end of the 15-year period, it is thought that the Trust will own the equivalent of one turbine in the commercial development which could generate up to £400,000 per annum. This is not a model which has found favour with many other wind farm developers as it serves to complicate the ownership structure of the development. However, it has resulted in a community asset which in turn generates revenue for a non-profit distributing community trust to invest in strengthening its community.

Table 2 summarises the strengths and weaknesses of the different development models.

Table 2: Summary – strengths and weaknesses of development models

MODEL	WEAKNESSES	STRENGTHS
1 For Profit	<ul style="list-style-type: none"> • No physical asset owned by community • Not for benefit of wider community • Private, investor benefit 	<ul style="list-style-type: none"> • Not reliant on public funds (although tax relief aids attractiveness) • Encourages local support for renewable and green energy
2 Profit /Non Profit	<ul style="list-style-type: none"> • Need either a separate Priority Partnership Area (PPA) or separate grid connection agreement • Legal documents can be more complex for community in securing separate loan agreement 	<ul style="list-style-type: none"> • Some grant currently available for pre-development and capital • Community control own asset • Community sense of ownership • Capacity building in community • Lease of land can be used as security for a bank loan • Community secure if other partners sell to big developer/go into administration
(a) Joint venture with partnership in development		
(b) Joint venture with ownership in shares	<ul style="list-style-type: none"> • Community is often minority partner with little control • Access to equity more difficult • If project or partner folds community is left with no return for their involvement 	<ul style="list-style-type: none"> • Access to grant in Highlands & Islands for pre-development • Ease of legalities • Operational and maintenance risk spread over more turbines
3. Non-profit distributing	<ul style="list-style-type: none"> • Dependant on public grant 	<ul style="list-style-type: none"> • Builds community knowledge and capacity • Benefits wider community • Linked directly to community needs • Strengthens community organisations
4. Community Benefit	<ul style="list-style-type: none"> • Generally limited sums available (with one exception) • May be little engagement by community • No community asset 	<ul style="list-style-type: none"> • No need for detailed community involvement – minimal volunteer effort required • Some funding available for community 'good causes'

Financial and institutional frameworks

Community energy projects respond to public policy priorities on climate change, renewable energy, volunteering, social enterprise and the 'Big Society' concept. In Scotland, the critical driver to date has been renewable energy policy and, in particular, the need to widen understanding and support for renewable energy across the general population. The Scottish Government's recent announcement to increase its 2020 target for electricity consumption from renewable generation to 80 per cent suggests that there is no slackening of this priority.

There are, however, two major factors that may significantly constrain future community energy development. These are:

- The UK incentive framework for renewable energy development changing from capital grants to revenue payments – the Feed in Tariff (now in operation) and the Renewable Heat Incentive (recently confirmed in the UK Government's Comprehensive Spending Review)
- The financial crisis which is resulting in reduction or elimination of grant funding or support for voluntary groups.

In relation to the first point, the creation of the Feed in Tariff was the culmination of a long campaign by the renewables industry as it gives much greater financial security to smaller generators (under 5MW). It encourages small-scale generation to a much greater extent than the previous (and continuing) Renewable Obligation Certificate system.

Unfortunately, success of the FIT policy depends on generators having access to capital to undertake projects in the first place. This applies equally to small, facilities-based projects as it does to larger revenue projects, although the amounts required are much higher for the latter (e.g. the typical development cost for the pre-planning consent [high risk] stage of a 900kW wind turbine project is around £150,000). Community organisations, especially small village hall associations, will find it very difficult to secure debt funding for capital works.

It is not yet clear how the Renewable Heat Incentive will work, but the principles are likely to be similar.

In relation to the second point, voluntary sector bodies and social enterprises in Scotland are bracing themselves for reductions in support and public sector contracting opportunities – more or less at the same time Government is talking up the role of such bodies in providing public services.

Partly in recognition of both of these factors, the Scottish Government is currently considering the creation of a loan fund to cover the pre-planning/high risk costs of smaller, community based renewables developments which are designed to bring significant community benefits. This may or may not find its way through Scottish budget deliberations.

Some grant funding will remain available via the Big Lottery Fund's Investing in Communities programme. This is likely to be focused on communities with

particularly challenging socio-economic needs and many community groups may not qualify.

Conclusion

Community energy development generates a range of beneficial impacts across some of the key issues facing society today. In Scotland, the implementation of several bespoke public funding programmes supported at a local level through a focused, national organisation has played a significant role in triggering community action. The models reviewed each have their strengths and weaknesses but when viewed in terms of the development of community-owned assets, the non-profit distributing approach has had the greatest beneficial impact so far. Also, there is some information which shows that this approach, involving volunteers throughout the whole development process, has real capacity-building impact. The ability to learn and develop new skills is an important element in building resilience in a community.

With the financial crisis, there is now likely to be a decline in public funding for these projects even though they have the potential to significantly strengthen community-based action. Given the significant revenue potential of renewable energy schemes, it is possible that a revolving fund of some sort could be developed. Community groups benefiting from capital assistance would repay capital into the fund once their projects were generating and selling power, allowing new projects to be assisted. Community Energy Scotland is currently investigating this option with other partners.

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