Community Energy England

Community Energy Scotland
Cumhachd Coimhearsnachd na h-Alba
Empowering Communities

Ynni Cymunedol Cymru Community Energy Wales

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Community Energy

State of the Sector Report 2021

Working together towards net zero

About this report

The annual Community Energy State of the Sector survey and report has provided insight into the UK community energy sector since 2016. This report focuses on progress in 2020, the ambition of the sector, and the importance of community energy for achieving both net zero and a green recovery. The report provides evidence-based recommendations to policy-makers and stakeholders on how the sector can meet its potential.

Community Energy England, Wales and Scotland conduct this research to:

- further understand the current state of the sector
- identify evidence-based areas of growth and opportunity
- add to our robust and accessible dataset on the community energy sector.

This research enables Community Energy England, Wales and Scotland to advocate more effectively for their members, and to identify where more support is needed. Anonymised data from this year's and previous surveys is publicly available, which reduces the need for community energy organisations to fill out multiple surveys and gives stakeholders access to relevant data to better understand the sector.

The survey was open from February to April 2021, with the data analysis and reporting delivered by Regen, before publication in June 2021. For the first time, Scottish community energy organisations were invited to take part in the survey, so the research now covers the whole of the UK. Questions were asked about electricity generation, low carbon transport, low carbon heat, energy efficiency, barriers to projects, and plans for the future. There were also questions about the social impacts of community energy, diversity, funding and how COVID-19 has affected activities.

We are grateful to the 220 community energy organisations who took the time to complete the survey. These responses provide the basis of this report. The final database also includes publicly available data on an additional 204 community energy organisations, mainly consisting of those who completed the State of Sector survey in previous years.

We hope this report proves a useful tool in understanding the community energy sector, as well as supporting its development. The underlying national datasets are managed by Community Energy England, Wales and Scotland respectively. To access anonymised data, please direct initial queries to **data@communityenergyengland.org.**

This report is produced by:

Community Energy England

Ynni Cymunedol Cymru Community Energy Wales

Community Energy Scotland
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Empowering Communities

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Summary

Community energy is playing a crucial role in achieving net zero by gaining consent, increasing participation and embedding behaviour change. Community energy organisations are a critical part of the future energy system and in ensuring a just transition.

Refocusing of the sector

With the removal of subsidies and other financial support, there has been a shift in the sector away from electricity generation projects, with only 8.2 MW commissioned in 2020, compared to 15.4 MW in 2019. Organisations are refocussing on a whole system approach, including both their core priorities of tackling fuel poverty and demand reduction, and exploring innovative business models on flexibility, low carbon transport and local supply.

2020 demonstrated the resilience and key role of community energy in a green recovery

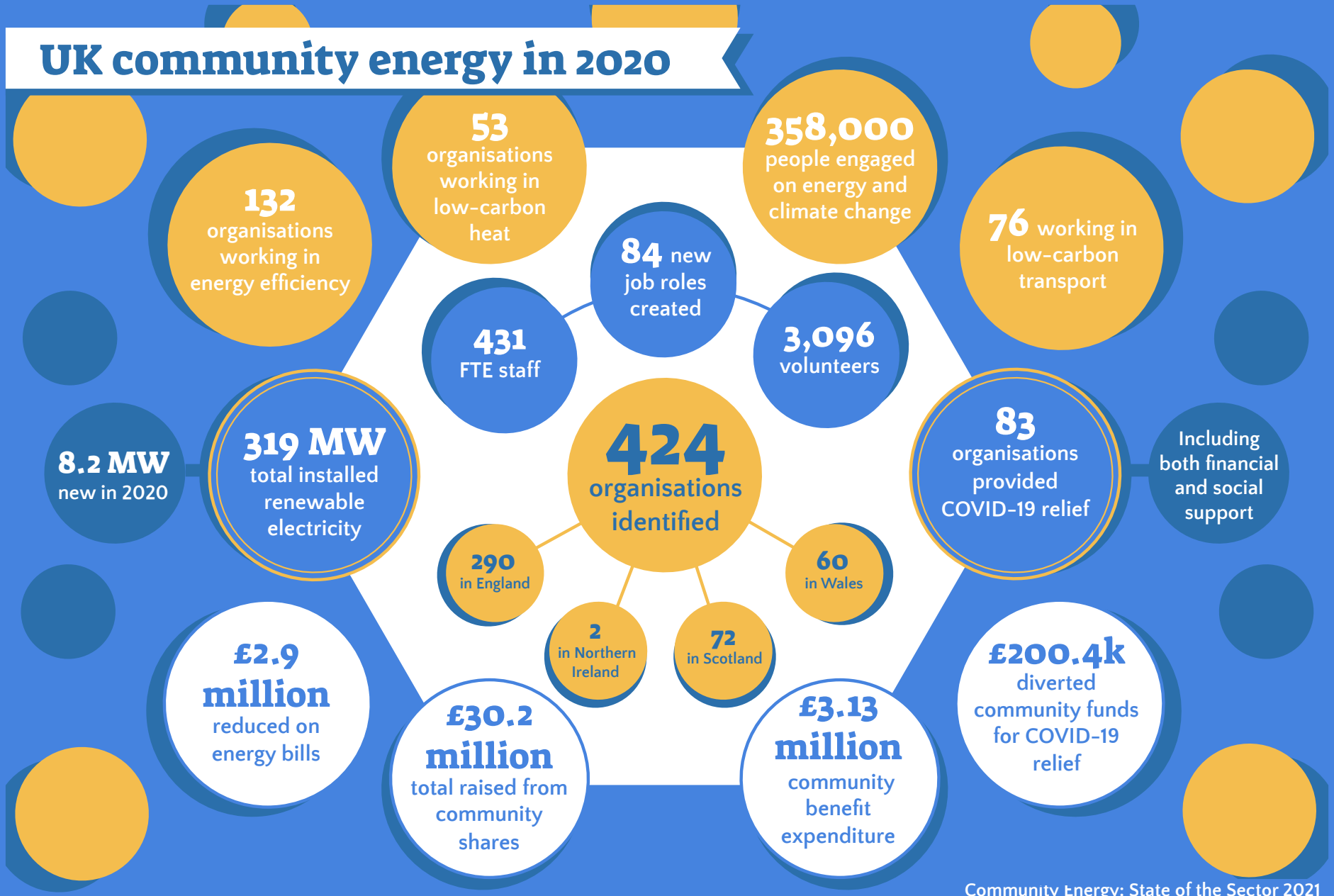
Despite the lack of UK strategic, financial and political support, communities have demonstrated significant perseverance and ingenuity and are determined to take action on climate change. The early adopters and communities who have been working on energy for years are not giving up, and there were 14 newly constituted organisations identified through the 2020 survey. Community Energy England, Wales and Scotland are all seeing increasing interest from parish and town councils, and community organisations with other priorities, who want to deliver energy projects to address climate change. Community energy organisations employed over 430 people and raised over £30 million in community shares. In 2020, 34 organisations installed renewable electricity projects across the UK, compared with 39 in 2019, demonstrating continued but reduced growth compared with last year. During the pandemic, the sector has proved both its resilience, with over 400 organisations continuing to work on projects, and its local value with more than 80 organisations leading bottom-up Coronavirus response or delivering over £200,000 of recovery funds to their areas. With the right support this impact could be scaled up to help deliver a green recovery.

Policy support needed

As grassroots, democratic organisations, community energy organisations can act as a trusted intermediary, playing a vital role in local energy projects, particularly those that require individual behaviour change. An engaged energy citizenry will be necessary for achieving net zero and we are calling in this report for the government to get behind this populist movement, and provide real, demonstrable support for the sector.

The State of the Sector

Even in the midst of the COVID 19 pandemic, community energy organisations adapted and developed to deliver value to their local areas.



People powered net zero:

The role of community energy in a net zero future

Community energy is uniquely placed to help reach local and national net zero targets whilst keeping important social issues at the heart of the energy transition.

The survey identified 424 active community energy organisations across the UK. Of these, 14 were newly constituted in 2020, compared to three groups constituted in 2019.

232 organisations identified their primary focus as working on renewable electricity generation, however, 89 organisations are also working on energy efficiency and 76 on low carbon transport. These projects create local employment and in 2020, 84 new FTE jobs were created.

Most community energy organisations are asset holders, with many delivering wider social benefit. For instance, 120 organisations also engaged in education initiatives, 125 working to improve their local environment, and 140 providing funding for other community projects.

Despite restrictions on meeting face to face in 2020, community energy organisations used workshops, home visits, webinars and phone calls to engage with over 358,000 people, empowering them to take action on energy. Overall engagement was limited due to COVID-19, with 138 organisations citing the pandemic as a barrier to outreach.

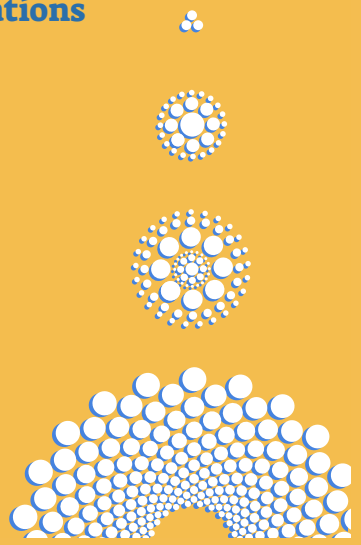
The combination of grassroots education, work reducing fuel poverty, wider support to local communities and use of low carbon technologies, make community energy a necessary part of a net zero future.

The transition to net zero will affect everyone. Community action has the local reach to ensure no-one is left behind.

In 2020

Community Energy: State of the Sector 2021

- **424 community organisations across the UK**
- **with 431 staff**
- **and 3,096 volunteers**
- **reached over 358,000 people**



Case Study: Bath and West Community Energy

Bath and West Community Energy (BWCE) is taking a whole systems approach to energy. They have installed or own nearly 12 MW of ground-mounted solar, 500 kW of rooftop PV, and a modern water wheel. With funding from Power to Change, Friends Provident Foundation and the EU, BWCE is delivering a domestic demand side response (DSR) pilot installing EV chargepoints, heat pumps and hot water heating to shift demand. They were also involved in Western Power Distribution's OpenLV project where they used local electricity substation data to explore the potential for DSR. BWCE work to reduce energy demand by supporting energy audits, insulation measures and energy efficiency assessments through their community fund, which has distributed £220,000 since 2010.

People powered net zero:

The resilience and social value of community energy

The last year has shown the resilience and social value of community energy. Over 80 organisations across the UK provided emergency financial and social COVID-19 relief.

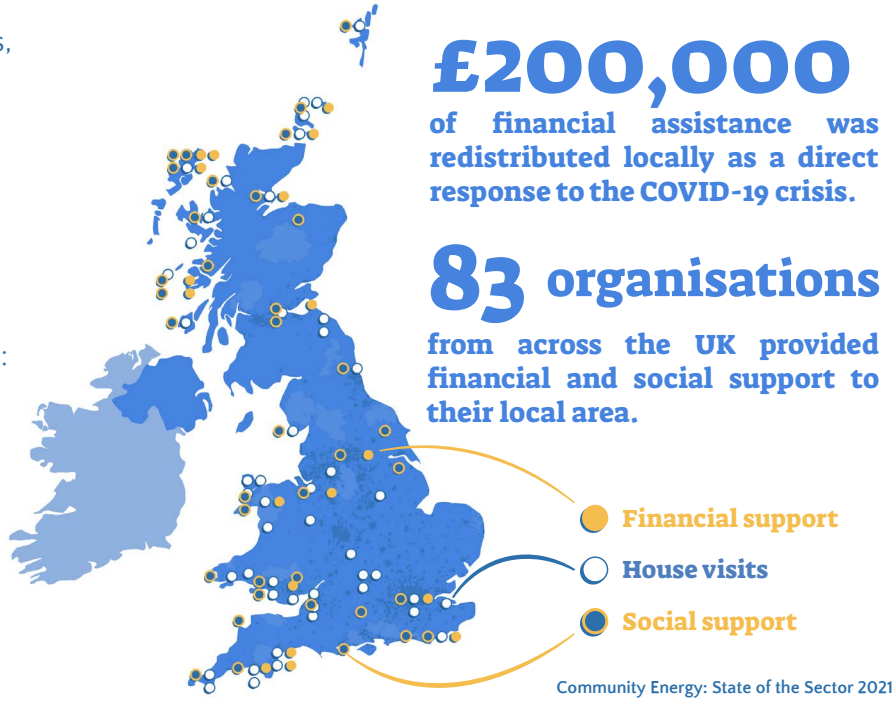
Community benefit funds, formed with surplus revenue from community energy projects, are spent on local initiatives to benefit the whole community. Already structured to give back to the community, 50 organisations immediately redirected these funds to those who needed it the most when the pandemic hit. They were able to effectively do this due to their existing reach and networks, established through consistent work within communities. In total, during the crisis over £200,000 was redirected to help local people and projects during the crisis, with a total of £3.13 million community benefit expenditure given to communities in 2020.

Beyond the financial aid, 53 organisations mobilised their existing networks and assets to:

- support local people by collecting medicines and driving vulnerable people to vaccine appointments
- provide free EV charging for key workers
- supply free energy to community centres essential in the COVID-19 response
- redistribute surplus food and fund food banks.

This local response to the pandemic was possible because of the local ownership model of community energy. These organisations have the governance structures and local knowledge to divert funds, time and staff to those in most need in the community.

Community resilience during the pandemic



Case Study: Communities for Renewables

Within the first week of lockdown in March 2020, four of the Communities for Renewables' collective of local energy enterprises mobilised £100,000 for a Corona Crisis Fund. These funds were allocated ahead of Government action and distributed to where they were urgently needed including to young carers, local foodbanks and a local school. These funds are generated by community-owned solar farms and demonstrate how local ownership of energy can help communities to become more resilient.

People powered net zero:

Community energy: the trusted intermediary

Community energy organisations are the key link between the seemingly inaccessible world of the energy system and people using energy in their everyday lives. As grassroots, democratic organisations, community energy organisations are trusted and recognised in their local area as prioritising the wellbeing of their community, and can therefore achieve public consent for change faster, fairer and more effectively than it otherwise would be.

A total of 89 organisations, 13 more than in 2019, delivered energy efficiency projects, helping over 45,795 people. This included 28 organisations providing retrofit services, 24 doing online engagement, 30 performing energy audits, and 30 delivering energy efficiency assessments.

Community energy organisations provide advice services to vulnerable people and engage the hardest to reach. In 2020, 36 organisations worked on fuel poverty alleviation, and 13 gave out fuel vouchers.

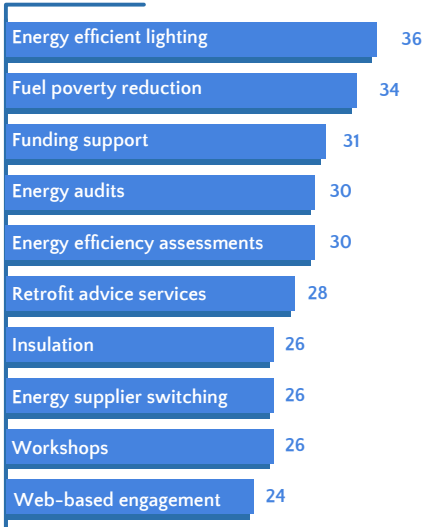
Community energy organisations are uniquely placed to partner with a range of actors within and outside the energy system, while advocating for the most vulnerable in society. Over 100 have worked on projects with charities, and 30 have worked with housing associations.

At least 125 community energy organisations have engaged with their Distribution Network Operator (DNO). Over 50 have delivered or are delivering a project in partnership with their DNO, reflecting the improved engagement by some DNOs. This trend is increasing as community energy organisations collaborate to overcome barriers to connect to the network, or innovate for local supply projects.

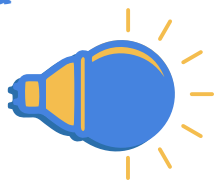
Community energy organisations are perfectly placed to work with those that are the most in need - tackling fuel poverty, high energy bills and providing energy advice.

Number of groups working to engage their local community in energy efficiency improvements across the UK

Top 10 activities



£2.9 million saved
on consumer energy bills through community energy action in 2020



£893,000
spent by community energy organisations on energy efficiency improvements in 2020

45,795 people
helped by the energy efficiency activities of 89 groups in 2020

Community Energy: State of the Sector 2021

People powered net zero:

Leave no-one behind

The survey results show there is room for improvement in the diversity of community energy organisations' members, volunteers, and directors, to better reflect the diversity of the communities they serve.

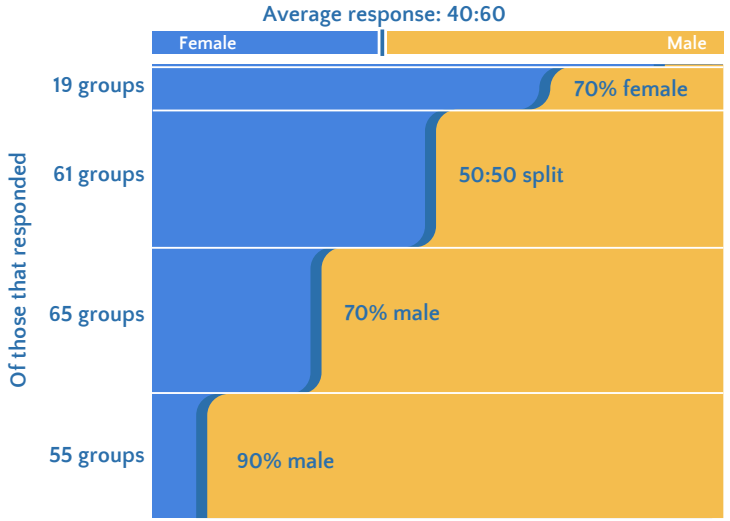
However, because most of the organisations have social purpose and wider community benefit written into their constitutions, and often have contact with the fuel poor and hardest to reach people in our society, they are well placed to ensure no one is left behind in the energy transition.

While the diversity of the sector is not always reflective of the wider community, community energy organisations are starting to improve representation. In 2020, 14 organisations said they will create a diversity and inclusion strategy, and 13 already have one.

Of the community energy organisations identified this year, most are Community Benefit Societies, Companies Limited by Guarantee, or Cooperatives. These structures have democratic governance, and ensure a significant proportion of profits are used to benefit the entire community, not just members and shareholders. They also usually have 'asset locks' ensuring community owned assets cannot be sold or distributed to any non-community benefit organisations.

Collaboration and democratic control are core principles of community energy. The sector aims to achieve its goals by working with people, which requires understanding that, although many of those served by community energy organisations may not have the time and capacity to volunteer or invest, it is essential they are engaged, supported, and their opinions reflected in the decision-making process.

Gender balance within UK community energy members and volunteers



Diversity and inclusion strategies of community energy organisations in the UK

Community Energy: State of the Sector 2021

Where we are now:

Stalling progress in renewable electricity and heat

In 2020 there was almost half as much new installed electricity capacity compared to 2019, but the number of projects has only slightly decreased. Community energy organisations installed 8.2 MW of new electricity capacity across the UK in 2020, compared to 15.4 MW in England and Wales in 2019, bringing the total installed capacity of survey respondents to 319 MW since data gathering for this report began.

This halving of new capacity in 2020 could be due to the closure of the Feed-in Tariff scheme to new projects, resulting in an even more challenging business model for renewables. Across the UK, 34 organisations were active in installing renewable electricity generation in 2020, compared to 39 in 2019 in England and Wales.

Solar continues to dominate new project development, as the planning conditions for wind, and licensing and economics for hydropower remain challenging. The new community renewable electricity capacity in 2020 was 88% solar PV (7.3 MW), a similar proportion to 2019. The remainder in 2020 was made up of the 900 kW Prouts Park wind turbine in Pembrokeshire, and two hydropower projects, a 46 kW scheme in Reading and a 30 kW scheme in Dumfries and Galloway.

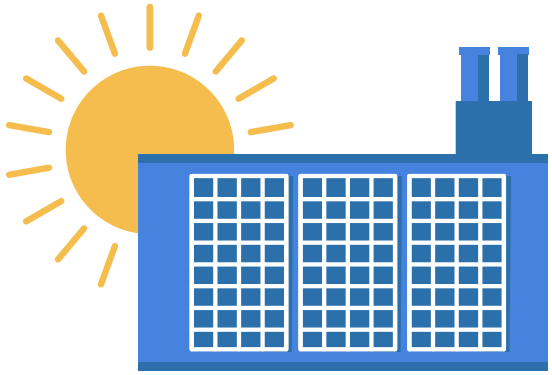
Most installations were smaller-scale rooftop solar PV, with the average capacity dropping to around 250 kW in 2020, down from 450 kW in 2019. Community energy organisations used innovative funding models to deliver rooftop solar PV installations, many of these partnered with schools, hospitals and local businesses, raising money through community share offers, self-funding through previous generation projects or through loans and match-funding.

Over 100 survey respondents have plans to develop renewable electricity generation assets in the future. Rooftop solar PV remains the most popular technology; however, some organisations are following the commercial sector to achieve economies of scale by developing much larger, ground mounted solar farms.

Community energy organisations remain interested in renewable heat, with 20 survey respondents working on low-carbon heat developments, mainly focused on installing air- or ground-source heat pumps. However, heat projects are slow and challenging, with just one project commissioned in England in 2020 and two in Scotland. Communities cited financial and regulatory barriers to the viability of renewable heat projects.

7.3 MW of new community owned solar PV capacity across the UK in 2020

Community Energy: State of the Sector 2021



The average size of installation fell in 2020 to around 250 kW, from 450 kW in 2019. However, there was still a total of 34 organisations actively installing solar PV in 2020, and over 100 have ambitions to develop further in the future.

Where we are now:

Low carbon transport

Driven by the ban on new petrol and diesel vehicles, the past year has seen an increase in both the number and scale of transport projects owned by communities. The 2020 survey respondents highlighted that across the UK, 76 community energy organisations have been involved in low carbon transport, up from 47 in 2019.

There were 39 low carbon transport projects in England, 20 in Wales, and 17 in Scotland. Survey data shows that there are now 181 community owned electric vehicles and 85 installed EV charge points across the UK. These include Gwent Energy CIC's 25 chargers in Wales, and Carbon Co-op's 20 chargers.

Community energy organisations are exploring alternatives to traditional car ownership models. For example, Hartlepower is working with Enterprise to deliver a community car club service for residents and manage a fleet of 70 vehicles, including 60 e-scooters. Huntly and District Development Trust in Scotland manage 14 e-bikes, as well as an electric car as part of the Co-Wheels franchise.

A further 15 organisations said that they would like to deliver a transport project in the next year, including Ynni Ogwen in Wales, who are planning on installing EV charge points powered by solar PV.

Case Study: Charge My Street

Charge My Street is a community benefit society which installs and operates EV chargepoints, raising money through community shares, with the ambition to install 200, 22kW fast chargers across England. Their innovative business model gives local people the information and relevant guidance to finance their own chargepoints at the locations which communities would benefit most from a charger. In 2020, they installed 11 new public chargepoints across Lancashire and Cumbria.

Where we are now:

Innovation and new areas

Community energy organisations continually adapt and innovate to deliver their mission of a fairer, more localised energy system to tackle climate change and ensure energy justice.

As the small-scale renewable energy generation business model remains challenging, community energy organisations are either turning to more on-site use of energy, or looking to scale up, as in the case of Devon Energy CIC, to achieve economies of scale comparable with the commercial renewable energy sector. Power Purchase Agreements continue to be used to make projects financially viable, for example, Community Energy Birmingham and Chester Community Energy.

In addition to exploring new business models for energy generation, the types of projects communities are working on is shifting towards a whole energy system approach. Around half of survey respondents worked on low carbon transport, heat, retrofit, flexibility and innovation projects in 2020, a small increase on 2019.

Communities are exploring a wide range of technologies, for example, Cwm Arian Renewable Energy (CARE) are interested in green hydrogen, while others, such as BHESCo, are focusing on heat in off gas grid rural areas.

There is considerable appetite for further innovation projects, with 80 organisations interested in investigating how to engage with new technologies and services such as flexibility, virtual power plants and peer-to-peer energy trading. Interest was also expressed in developing the link between local supply or peer-to-peer trading projects with wider socio-economic benefits such as tackling fuel poverty.

Flexibility is defined as modifying generation and/or consumption patterns in response to an external signal for a financial reward. Community energy organisations could have an increasingly important role to play in helping access small amounts of flexibility from our homes, because they are trusted and already engaging in retrofit, bill saving and fuel poverty work in households across the UK. Flexibility projects have seen considerable interest from communities in recent years, with 21 organisations reporting that they were involved in flexibility projects or trials in 2020, and six completed projects previously.

Looking to the future, nearly half of survey respondents are planning innovative electricity generation projects, 27 are planning low carbon transport schemes, heat projects make up a further 20, and 28 are planning energy efficiency work. Flexibility and energy storage projects are planned by just 15 organisations, reflecting the challenge of developing viable business models.

Case Study: PowerShaper by Carbon Co-op

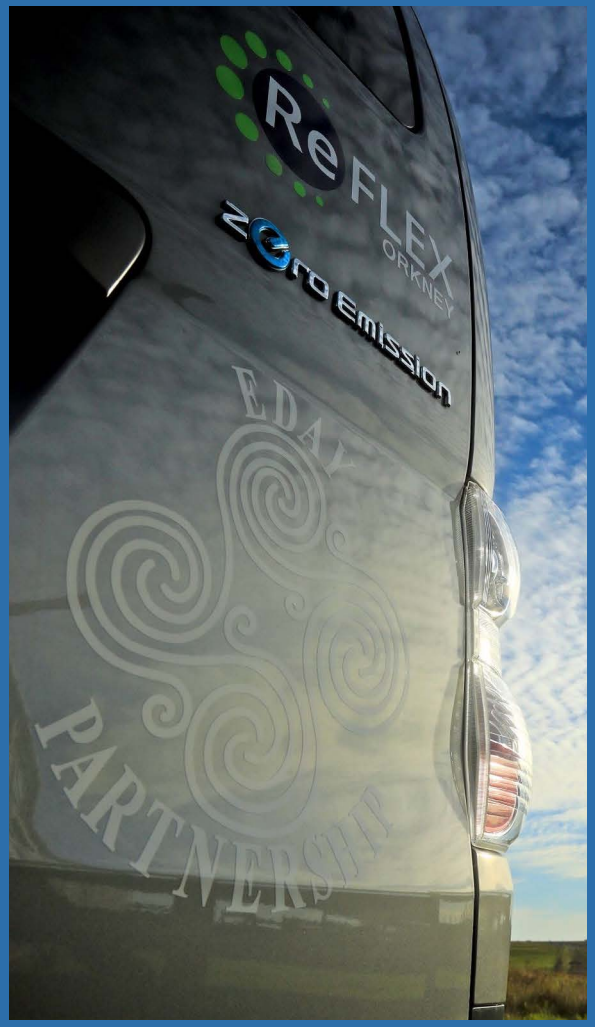
PowerShaper is a community-owned energy aggregator service, led by Carbon Co-op, which has been developed as part of the Open DSR project 2019-21 with funding from the Department for Business, Energy and Industrial Strategy. The service aims to support the flexible use of the electricity network through domestic DSR, so more of the energy we use can be supplied by renewables. It works by paying customers to switch home electrical appliances, such as EV chargers and immersion heaters, on and off remotely. As PowerShaper is community owned, the service is local and trusted, which has proved to be valuable in engaging with early adopters of low carbon technologies, while retaining more of the emerging value of flexibility within the community energy sector.

Where we are now:

Future innovation case studies

Case Study: The Eday Partnership

The Eday Partnership is a community development trust and a Scottish registered charity based on the island of Eday in the Orkney Isles. Its trading subsidiary, Eday Renewable Energy (ERE), is an excellent example of a community energy organisation who started their journey in renewable generation, before branching out into other areas of energy. Through ERE, the community owns a 0.9 MW wind turbine, while also being involved in energy efficiency work, with energy audits and energy efficiency measures. The Eday Partnership is one of the participants in the ReFLEX project, which aims to decarbonise the three main areas of energy use on Orkney by digitally linking 100% renewable generation with demand and storage into a flexible integrated energy system. For the Eday Partnership, this has involved receiving two community electric vehicles via the ReFLEX project. One of the vehicles has wheelchair access and both vehicles are used for community transport including as the official island school bus, and support the wellbeing coordinators' work. The Eday Partnership also aims to run a regular bus service for the community. In the future, the Eday Partnership want to employ a "green" officer to help island residents install the latest energy saving products and give energy advice about heating, insulation, lighting, battery storage and EVs.



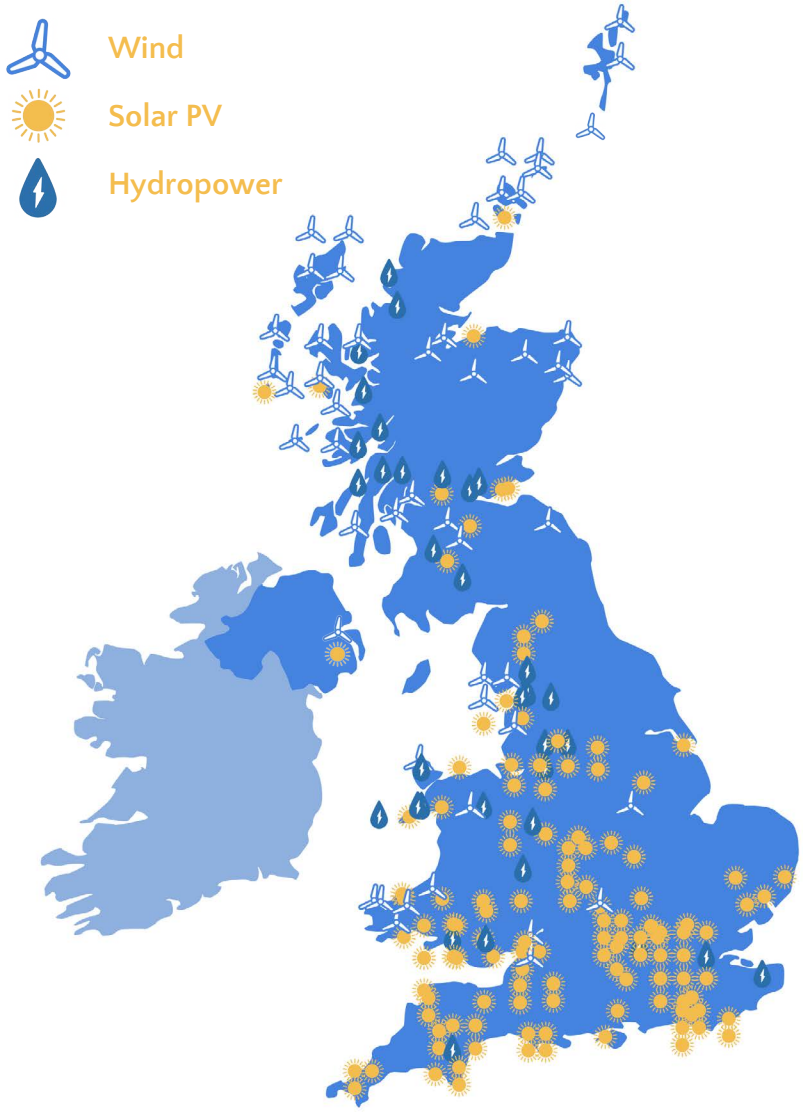
Case Study: Gower Power

Gower Power is leading the way in Wales in producing and supplying renewable electricity, with all profits going back into the local community. In 2020, they attached 228 kW storage to their existing Gower Regeneration solar farm and started a local supply partnership with Ecotricity. This enables local homes and businesses who switch to Gower Power, to use electricity produced by the community-owned solar farm and storage. Any extra electricity needed will be renewable and provided by Ecotricity.

Where we are now:

National progress

Community owned wind, solar PV and hydropower



Scotland 72 organisations 110 MW renewable capacity

Community organisations in Scotland have developed a much higher proportion of wind and hydropower compared to the other nations, reflecting both natural resources and tangible political support. The Scottish Government has set targets for both community and locally owned energy and shared ownership, and provides financial and technical support through the Community and Renewable Energy Scheme.

Wales 60 organisations 22.6 MW renewable capacity

Wales has the most community energy organisations per head of the population. The Welsh Government has created a more supportive policy environment for community energy with targets for 1 GW of renewable electricity generation capacity to be locally owned by 2030.

England 290 organisations 185 MW renewable capacity

England has the greatest capacity of solar PV, whereas Scotland has widespread wind and hydropower. Though England has widespread deployment of solar PV, with the rural community energy fund coming to an end there is a lack of political support.

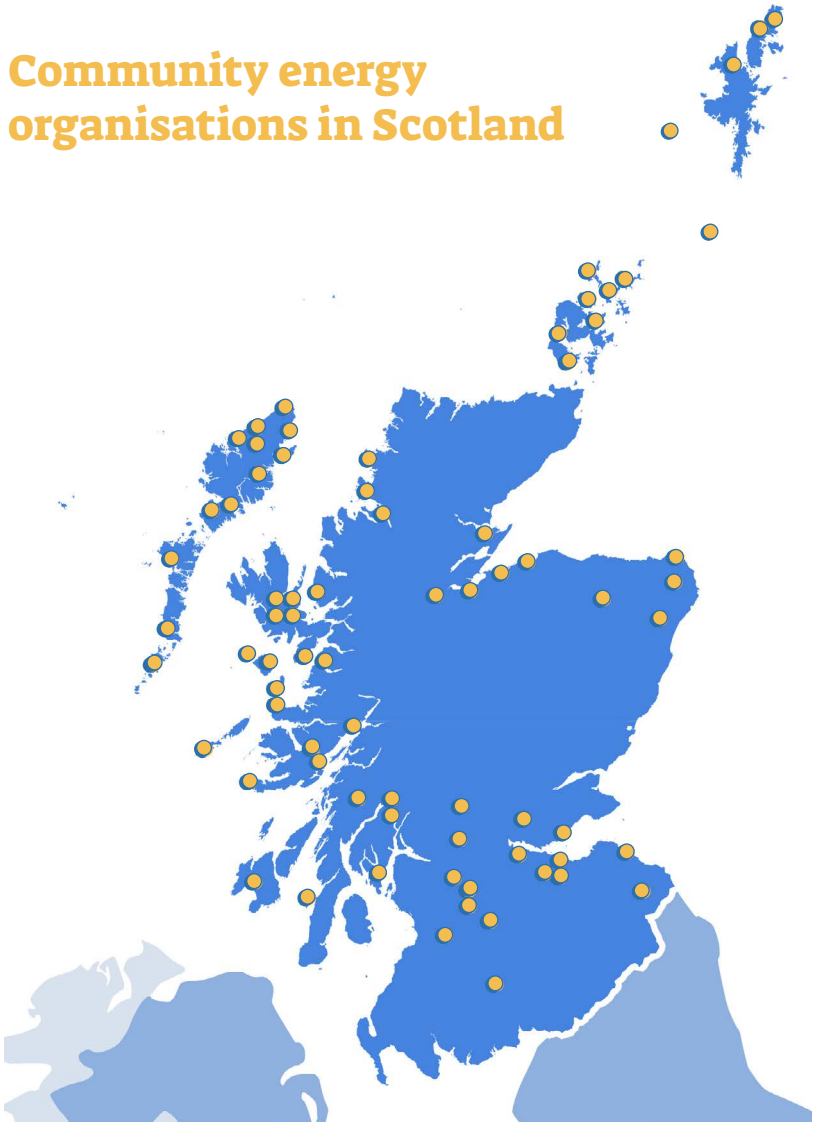
Northern Ireland 2 organisations 1.5 MW renewable capacity

The Community Energy sector in Northern Ireland is still developing, with 1.5 MW of community owned generation from both solar PV and onshore wind and ambition for further installations.

Where we are now:

Scotland

Community energy organisations in Scotland



This is the first time that Scottish community energy organisations were invited to take part in this survey, and 72 groups responded. Two of these were newly constituted in 2020.

Scottish community energy organisations reported 144 FTE members of staff, with 18 new jobs created in 2020 and 689 volunteers. Scottish organisations have a higher number of employed staff and volunteers than the UK average, demonstrating that community energy in Scotland tends to be better resourced than other areas of the UK.

Data was gathered on a total of 110MW of operational community owned projects of installed capacity through 53 separate organisations, of which over 100 MW are wind projects, but in 2020 just 181 kW from three solar and one hydro site were reportedly installed. Community energy has been supported by the Scottish Government, which has targets for community and locally owned energy and shared ownership is encouraged for all new community energy projects. These ambitions are backed up by the Community and Renewable Energy Scheme (CARES), a programme of financial and technical support for communities, funded by Scottish government.

High wind resource and fewer planning barriers have led to greater deployment of large-scale wind in Scotland. As a result, organisations have negotiated or created a far greater amount of community benefit fund than in other nations. Survey respondents reported over £2 million in community benefit expenditure in 2020, more than double the UK average spending per group.

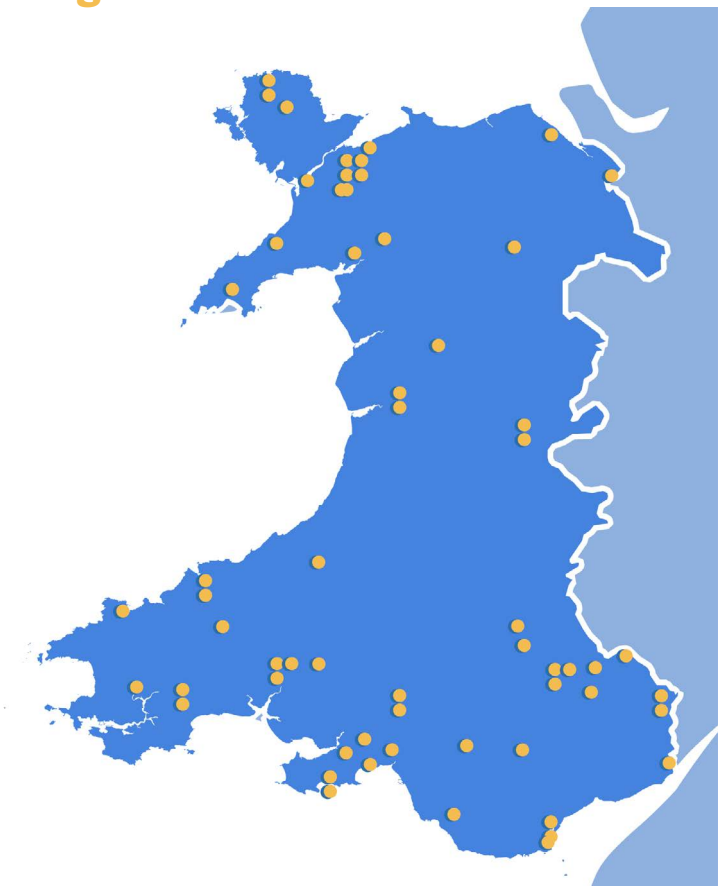
16 Scottish community organisations reported involvement in community land acquisition, the most of any nation in the UK. Support for community land acquisition was strengthened by the Community Empowerment (Scotland) Act (2015), which gave communities a range of new rights in relation to land acquisition, including the right to request that public bodies transfer assets to community management or ownership.

Grid capacity issues are a key barrier for the sector in Scotland, three community energy organisations who responded to the survey are working on, or completed electricity network innovation projects, with many island-based communities reporting high grid costs as a barrier.

Where we are now:

Wales

Community energy organisations in Wales



This year, 60 Welsh community energy organisations responded to the survey, representing the highest number of organisations per head of population of any of the nations. These organisations reported employing 79 FTE staff, working with 880 volunteers and engaging around 20,000 people. In 2020, 18 new jobs were created, and one newly constituted organisation responded.

The Welsh Government has set targets for 1 GW of renewable electricity generation capacity to be locally owned by 2030, and for all new renewable energy projects to have an element of local ownership by 2020, although policy details to support this are still in development.

Welsh community energy organisations responding to this survey reported total installed capacity of 22.6 MW of renewable electricity generation, considerably lower than England and Scotland, which both reported over 100 MW of community electricity generation each. However, Welsh respondents reported the greatest increase in generation capacity in 2020, with an additional 4.25 MW commissioned.

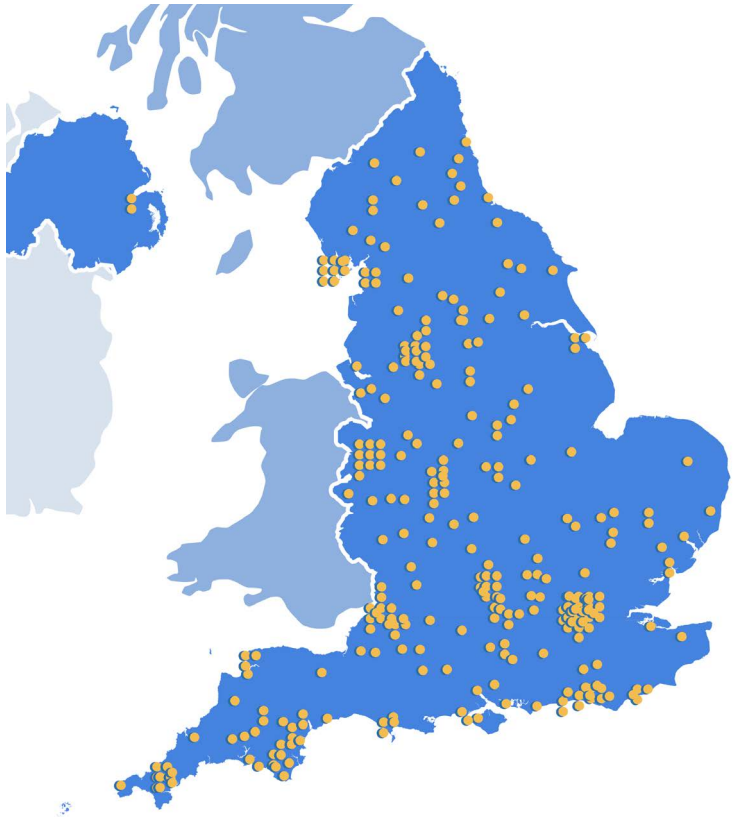
The Welsh Government Energy Service (WGES) has supported the sector on renewable and energy efficiency projects since 2018. It provided support to the development of the 900 kW turbine at Prouts Park, developed by Community Energy Pembrokeshire, the only new community wind projected reported in 2020. WGES support ends in 2021, and there is uncertainty about what happens next. Even though there are proactive government policies and capacity building support in Wales, overall growth of renewable generation across the UK has slowed due to the lack of UK policy stability for renewables and removal of subsidies impacting the economic model. We need innovative approaches to developing secure and long-term revenue streams to make the financial model for new renewable generation viable.

As with the other nations, Welsh communities have continued to shift their focus to low carbon heat, transport, fuel poverty, and energy efficiency, with a small increase in the number of organisations reporting activity in these areas. However, there were no new renewable heat projects commissioned in 2020, reflecting the longer lead time and challenging nature of these projects.

Where we are now:

England and Northern Ireland

Community energy organisations in England and Northern Ireland



This year, 275 English community energy organisations responded to the survey, with 13 new organisations. There were 207 FTE employees working with 1,521 volunteers who engaged around 138,000 people. Despite the creation of 48 new jobs in 2020, English community energy organisations had the lowest number of employees on average, 103 had no staff and are entirely voluntary. English community energy organisations also have the lowest average number of volunteers per organisation, demonstrating that many are operating with very low amounts of human resource, reflecting the relative absence of political and financial support that is available in Scotland and Wales.

In England, the gap has grown between new and emerging community energy organisations trying to address climate change at a local level, and advanced organisations working on innovation projects at scale. There remains a north-south divide, with the south dominating in terms of numbers of organisations and projects delivered. Areas with greater numbers of community energy organisations tend to have benefited from long term local authority funding, DNO engagement, and/or peer networks developed by established community energy organisations and support agencies. Funding for community energy in England has come primarily from the Rural Community Energy Fund and the now cancelled Urban Community Energy Fund, which generally paid for feasibility studies by consultants, but not the capacity building or core support.

In England, only 3.8 MW of new renewable electricity generation was installed in 2020, the vast majority of which was rooftop solar PV, contributing to a national total of 184.8 MW. Around two thirds of English community energy organisations are working on energy efficiency, heat and low carbon transport projects. One new heat project was reportedly commissioned in 2020, BHESCo's air source heat pump, delivered in partnership with a school in Sussex off the gas grid. Low carbon transport projects were being developed by 39 organisations who responded to the survey, including Brighton Energy Co-op and Harbury Energy Initiative.

In Northern Ireland, the community energy sector is in an early stage of development, with only two active community energy organisations responding. There is 1.5 MW of community-owned generation in the country. Northern Ireland Community Energy has plans to install more solar PV, though lack of subsidy and a small renewable installation market are barriers.

Meeting our potential

The UK policy landscape

We need a long term, stable and supportive policy environment

The UK parliament has declared a climate emergency, with a target of net zero by 2050, but the policy landscape is still the main barrier to the community energy sector achieving a just transition.

The UK government's Energy White Paper mentions community energy just once, indicating a lack of understanding of the role of trusted intermediaries in bridging the gap and bringing communities with us in an energy transition at scale, a transition that will affect all our lives.

The sector has suffered from the government's removal of the Feed-in Tariff (FiT) in 2019, the (England-only) Urban Community Energy fund in 2016, Social Investment Tax Relief in 2017, and the Non-Domestic Renewable Heat Incentive in 2021. There is uncertainty about the continuation of the Rural Community Energy Fund, a vital source of grants in England for community renewables to address climate change.

Survey responses identified that 49 community energy organisations have started projects that they were unable to complete, with 11 citing regulatory barriers and 24 citing financial barriers. The stalled projects reported include 33 electricity generation projects, nine heat, eight low-carbon transport, 15 energy efficiency, two DSR and nine storage projects.

The pandemic has exacerbated the challenges, as community energy organisations have struggled to carry on delivering projects in lockdown and continued to experience the time and capacity constraints so common in the sector caused by a lack of support mechanisms.

The sector lobbied for and secured a 12 month extension for completing projects under the FiT scheme, which was welcome. High grid connection costs are limiting the deployment of new renewable energy by making projects unviable in some areas, with 30 respondents citing this as a major issue. Communities across the country continue to fight against the installation of gas and diesel generators that are taking advantage of flexibility payments, whilst worsening constraints on the network and pushing up grid connection costs further.

The year ahead looks brighter with COP26 providing an opportunity to engage more people in energy, and push for a more supportive policy environment. The Local Electricity Bill could, if passed, potentially enable local energy organisations to sell their electricity directly to local businesses and homes, alleviating pressure on the grid and hopefully reducing network access costs. The Environmental Audit Committee concluded their inquiry into community energy by writing a letter of recommendations to Secretary of State, Kwasi Kwarteng (see box below).

Environmental Audit Committee inquiry

The Environmental Audit Committee is an independent and influential committee of MPs which scrutinises the impacts of government policy. Through their April 2021 inquiry into community energy, the MPs on the committee have urged the government to:

- Remove barriers to the development of community energy
- Emphasise the importance and vital role of community energy in achieving net zero in the forthcoming Net Zero Strategy
- Resource "practical support measures to harness the potential of community energy."

Given the welcome recognition by the committee of the urgency and the vital role community energy will play in achieving net zero it is essential that these measures are funded in the Comprehensive Spending Review in autumn 2021.

Meeting our potential

What community energy can achieve at scale

At scale, community energy can achieve meaningful carbon reduction alongside additional local economic and social benefits, that could support a green recovery.

With the right policy and regulatory support, community energy has the potential to grow significantly.

As outlined in the Community Energy England 2030 Vision, if barriers were removed, community energy organisations could not only complete their current stalled projects, but build on their successes to contribute 5,270 MW, power 2.2 million homes, support 8700 jobs and add £1.8 billion to the economy each year.

By 2030, community energy could save £150 million in consumer bills, redistribute £19 million to the local economy and create 8700 jobs.

The future of community energy, WPI Economics

Case Study: Point and Sandwick

As the largest community owned wind farm in the UK, Point and Sandwick shows that with the right support, the potential that community energy can achieve at scale is huge. From first discussions about developing a community owned wind farm, to its completion in 2015, the project was delivered by determined local people who wanted to take action, with finance from Big Lottery grants and loans from Social Investment Scotland, Scottish Investment Bank and Santander Bank. The 9 MW project generates £900,000 a year in net income for the local community, expected to rise to £2 million a year once capital costs have been repaid. A significant proportion of this has been invested in reforestation, with over 100,000 trees planted so far.

Case Study: Devon Energy CIC

As community organisations have become more experienced, the ambition and scale of projects that they are exploring has grown. Devon Energy CIC is a group formed from 23 local energy organisations to develop community owned renewable projects at scale. They currently have a development pipeline of 100 MW of solar PV projects and 70 MW of wind. The intention is to make a meaningful contribution to tackling climate change with community owned generation, and use profits to retrofit local homes and businesses, and tackle fuel poverty.

Meeting our potential

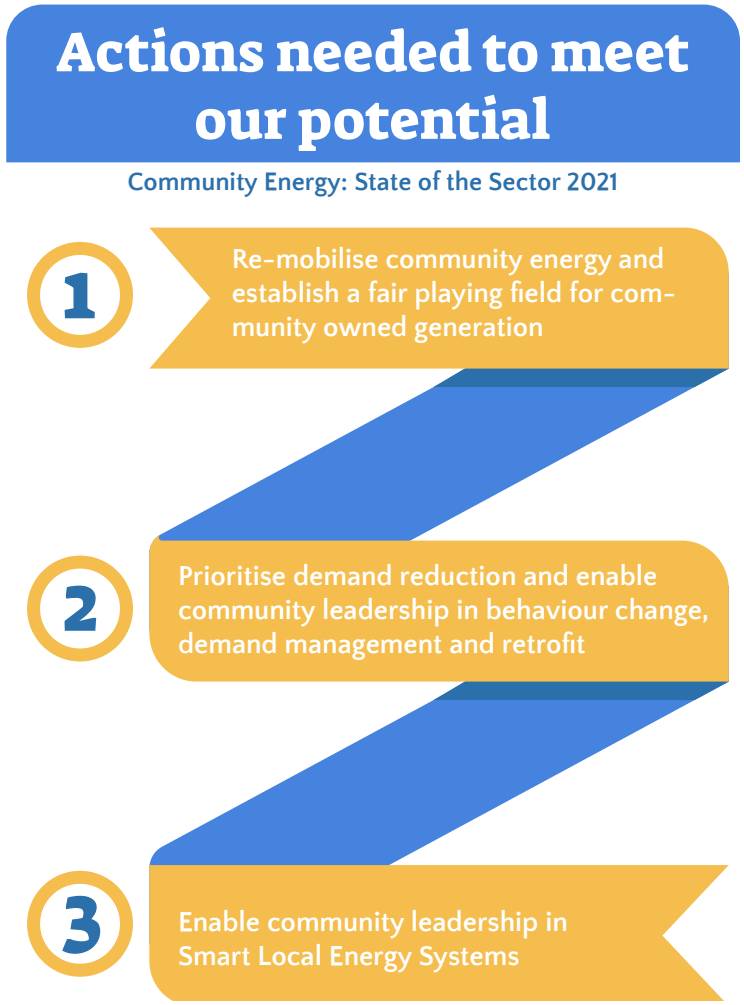
What do we need?

For the sector to reach its potential and become a major part of the transition to net zero, the community energy sector needs the government to:

1 **Re-mobilise community energy, remove barriers and build capacity by establishing a fair playing field for community electricity generation, enabling a route to market for community energy.**

- Create a Community Smart Export Guarantee*, to provide revenue certainty for community energy organisations equivalent to the commercial sector.
- Make community capacity building grant funds available for community energy organisations in all nations and regions, and at all stages of development. In England, reinstate the Urban Community Energy Fund and extend the Rural Community Energy Fund*. In Scotland, complement CARES with early stage capacity building support for groups as demonstrated by the Community Energy Futures programme, and in Wales, continue and develop the Welsh Government Energy Service.
- Provide tax mechanisms recognising the benefit of community energy projects, via Social Investment Tax Relief eligibility* and a community energy business rate incentive.
- Ensure communities have fair access to the grid*, by reserving capacity for community projects and reducing or socialising connection costs for community energy generation.
- Develop a target for community and local ownership of new energy assets, and a shared ownership target for England and NI, as Wales and Scotland already have.
- Remove planning barriers to onshore community-owned wind energy projects
- Introduce a meaningful commitment for all public bodies to buy community-owned energy.

* Recommendations from the Environmental Audit Committee, see bit.ly/EAC-letter.



Meeting our potential

What do we need?

For the sector to reach its potential and become a major part of the transition to net zero, the community energy sector needs the government to:

2 **Prioritise demand reduction and behaviour change by enabling community energy leadership in retrofit, demand management systems and driving behaviour change.**

- Fund community-led retrofit, energy efficiency and fuel poverty alleviation at the pace and scale necessary for net zero;
- Establish a framework and financial benefit for community energy organisations to partner with DNOs on electricity demand reduction, targeting support at areas where reduced demand will provide wider network benefits through avoided reinforcement costs. Ensure DNOs are incentivised to reduce demand first, before buying flexibility.
- Resource community energy to be at the heart of a net zero behaviour change strategy. This is at least as important as technological solutions and should be similarly resourced.

3 **Recognise community energy is smart and local by enabling community leadership in the development of Smart Local Energy Systems.**

- Pass and implement the Local Electricity Bill*. Local supply is a fundamental enabler of a democratic energy system, and communities are locked out of the supply market.
- Ensure flexibility markets are fair and open, with the value of social and environmental factors in procurement built into regulation
- Resource and implement a consistent process for Local Area Energy Planning*, led by local authorities but with a clear role for community energy, as an essential part of the net zero transition. Resource community energy/public sector collaborations for the added value they bring.

* Recommendations from the Environmental Audit Committee, see bit.ly/EAC-letter

Getting exemplary policy for community energy

Building on the important **recommendations** from the Environmental Audit Committee, we will be working to build support among MPs in the lead up to COP26 to ensure the government puts in place world-leading policy for net zero that values and resources the role of communities and community energy, incorporating the policy asks set out on pages 18 and 19.

The government is starting to realise that deep and enduring engagement from the public is essential to achieving our climate goals and that this is best achieved by people being involved in energy projects in their communities. This, in addition to the multiple other co-benefits that community energy delivers, is good reason to enable community energy to grow.

Support our advocacy on behalf of the sector by lobbying your MP to support our policy asks.

How can I help?

How you can get involved in community energy

Whatever your skills and wherever you are in the UK, your time, skills, and human energy can help community energy. We encourage you to get involved with your local community energy organisation, to take direct action on climate change, and drive a just transition to net zero. We would also value your support for our work at national levels advocating on behalf of the community energy sector.

Some ways you can get involved include:

- Find your local community energy organisation and...
  - Become a member
  - Sign up to their newsletters and follow on social media
  - Volunteer your time and expertise
  - Invest financially in one of their projects
  - Make use of their energy efficiency and other services
- Suggest that your local community group gets involved with an energy project
- Start up a new community energy group
- Email your MP to tell them about community energy and ask them to back supportive policies
- Spread the word about community energy to your friends, family and other organisations taking action on climate change or community building.

Community Energy England, Scotland and Wales have resources to help you get involved with community energy, start a project yourself and invest in community energy share offers. Take a look at their introductions to community energy, explore more information on their websites and follow them on social media.

Click on their logos to get involved:

Community Energy England

Ynni Cymunedol Cymru Community Energy Wales

Community Energy Scotland
Cumhachd Coimhearsnachd na h-Alba
Empowering Communities

Community Energy Membership

We invite all organisations working on or supporting community energy to join us, to strengthen our collective voice and enable us to represent you in our work to develop and support the sector. Details of how to join us can be found below.

Community Energy Wales

Community Energy Wales is a not-for-profit membership organisation which provides support to community energy organisations.

Join our growing network and support the Welsh community energy sector by becoming a member. Help keep the benefits from the energy transition in Wales and our communities.

Contact us for more information:

02920 190260

info@communityenergywales.org.uk

Twitter:@CommEnergyWales

www.communityenergywales.org.uk/en/members/join-us

Ynni Cymunedol Cymru Community Energy Wales

Community Energy England

Community Energy England is the voice of the community energy sector in England, helping to create a supportive policy landscape for community energy.

We also help active community energy organisations to connect, collaborate, share expertise and overcome obstacles. Join us to demonstrate your support for the broader interests of the sector and our work to help create a policy landscape in which community energy can thrive.

Contact us for more information:

033 3303 4126

info@communityenergyengland.org

Twitter: @Comm1NRG

www.communityenergyengland.org/pages/membership

Community Energy England

Community Energy Scotland

Community Energy Scotland is a community energy specialist dedicated to providing communities across Scotland with independent and ongoing support to develop their own energy projects.

Our membership is free for all Scottish community energy organisations and individual supporters, and provides opportunities for organisations to consult with our team, network with other member organisations and receive regular community energy-related information.

Contact us for more information:

07920 182308

info@communityenergyscotland.org.uk

Twitter: @CES_Tweet

www.communityenergyscotland.org.uk/membership

Community Energy Scotland
Cumhachd Coimhearsnachd na h-Alba
Empowering Communities

Community Energy England

Community Energy Scotland
Cumhachd Coimhearsnachd na h-Alba
Empowering Communities

Ynni Cymunedol Cymru Community Energy Wales

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NORTHERN POWERGRID

Community Energy
State of the Sector Report 2021
Working together towards net zero

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