

# Community energy at a crossroads

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## Summary of a meeting held on 5 July 2016

Convened by the Friends Provident Foundation and  
Environmental Funders Network

Community energy is at a crossroads, following recent reductions in government support and subsidy.

This paper summarises a meeting held on 5 July 2016 to explore its current status, opportunities for moving forward, and to consider the role that funding could play in the future development of the community energy field.

The meeting was organised by the Friends Provident Foundation and Environmental Funders Network, and attended by experts in the field, funders and interested parties.

For further information about the discussion please contact Alex Germanis at Pure Leapfrog ([alex.germanis@pureleapfrog.org](mailto:alex.germanis@pureleapfrog.org)).

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# Summary

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## What community energy is...

- Community energy is as close to a ‘silver bullet’ for community resilience as is possible, often addressing environmental sustainability and social impact in a financially sustainable way.
- It allows any community to (1) own, (2) benefit from and (3) control their energy.
- Investors in community energy projects look for structures for engagement and governance to support community control.
- Community energy can have access to relatively low-cost equity through community bonds.
- It may need to access long-term debt, which currently tends to be more expensive than equity.

## What community energy isn't...

- Community energy is not profit-maximising.
- It's not renewable energy with a minimal (regulated) community benefit fund.
- It's not a route to market that the private sector can use to fulfil its obligations.
- It's not a fundraising project for other activities – surplus funds for other causes is a bonus, not an essential.
- Community energy is not purely a local authority led activity without community ownership or engagement.
- It is not a level playing field. Rules are stacked against communities – for example, the Feed-in Tariff (FIT) scheme was designed to engage individuals and communities in the energy system but the ‘budget’ has been ‘hoovered up’ by commercial companies.

### Community energy in numbers<sup>1</sup>

450–500 active community energy groups/projects

+100MW renewables installed (equivalent to a power station like Didcot OCGT)

55,000 people actively participating and investing c. £75m in local energy projects

<sup>1</sup> Figures are from early 2016 – it is expected that the numbers of schemes and capacity will jump in 2016, reflecting increased efforts to secure the FIT before its disappearance.

## Discussion highlights

- At the riskier end and earliest stages, community energy projects need grants. As groups and projects develop in size and maturity, more commercial/institutional finance becomes viable.
- With the deep cuts from government in relation to energy policy, access to and the cost of capital will be critical.
- Community energy can be ideal for endowment funds needing a steady return, as projects can give a return in excess of gilts, plus they have the social impact that foundations desire.
- Local ownership can be an important factor, helping to mobilise everyone.
- We need demonstration projects that use new business models. Whilst some are viable now and need seed funding, there are a few projects that are ready to go that will need philanthropic support to complete and then to disseminate what has been learned.
- It's important to identify the best projects when there isn't a particularly steep cost gradient between better and worse projects. For non-technical funders, how can they work out which ones are best to invest in? Emma Bridge at Community Energy England is happy to help funders to vet proposals and understand the technical side.
- A bank of indicators that can be used to identify a project's social impact/community benefit would be beneficial – the sector has struggled to monitor and report on this.
- If funders used the same monitoring frameworks for community energy projects, the impact of community energy could be more easily assessed. The Big Society Capital/Power to Change/Access framework could usefully be shared and applied consistently.
- Some funders want innovation, but also want scale. The best way of attaining scale and replicability is to produce a project – not just to talk about how it might be done. Funding has tended to go to intermediaries rather than 'doers', which has resulted in papers and not projects.
- Helping communities to develop their skills and share them among each other is increasingly important for increasing the size of the sector. Enabling local networks to connect with other groups nationwide would improve knowledge dissemination.
- It is important to keep community energy high on the policy agenda – active engagement with local politicians and MPs can help shape their views.
- The community energy sector still needs legislative and regulatory changes such as creating right to grid access for community renewables, creating a mandate for local authorities to include community energy in procurement strategies and simplifying the regulation around local supply.
- To bring about significant change, the sector needs government on its side. Some legal drafting is required to address structural aspects of the sector, including standardising and simplifying documentation relating to loans,

processes, etc. Fairly minor changes in this area could have a big impact. Network-building with government is also a priority.

- Local government is definitely a useful place to engage. Funders can help create demand for the use of standardised documentation by community groups and encourage local authorities to build standardisation into the approval process. Funders could play a role in pushing for standardisation.

## New ideas and questions to explore

- Are new financial tools, such as integrating into individual savings accounts (ISAs) or self-invested personal pensions (SIPPs), available and applicable?
- Are ethical energy supply companies untapped allies? They have seen community energy groups as competitors, so this may be a challenge.
- Making the transition from existing private or commercial schemes to community-owned and controlled assets might offer another way to create scale by repurposing existing resources and expertise.

## Funding gaps and opportunities

### High level

What community energy is, and what the benefits are, must be clearly articulated to all organisations that have a stake in the future energy system, including government and the general public. More than that, a vision of a low-carbon, fairer and more democratic energy sector must be communicated, and the role that community energy can play in bringing it about must be clearly stated.

### *1. Communicating the benefits of community energy*

The sector needs a stronger evidence base and good communications. Funding could be used to support a clear communications campaign for government and the general public.

Funding could support a common impacts and benefits assessment process that is sensitive to the intricacies of local needs, and broad enough to have meaningful information to communicate.

### *2. Advocacy and public relations*

To mobilise everybody from public to politicians requires advocacy and public relations. This will entail long-term engagement.

Funding could support a communications programme for community energy to ensure engagement with the civil service and Westminster is maintained. This could be supplemented with secondments in government or within industry (e.g. the National Grid). The bulk of engagement to date has been with the Department of Energy and Climate Change (now part of the Department for Business, Energy and Industrial Strategy (BEIS)); however, links with other departments, notably HM Treasury, might have been more impactful. New engagement with fresh officials could be critical in embedding community energy in the minds of ministers who are new in post.

### *3. How do financial mechanisms work?*

Funding could support research into the role of finance in the development of community energy projects. It would include research on:

- current activity and approaches in other countries;
- the impact of the varying mechanisms and business models adopted;
- how changes to these mechanisms could increase the impact of community energy;
- potential future funding options.

Funding could help commission professional support in developing new financial models.

### *4. Local/regional networks and peer-to-peer schemes*

Programmatic schemes (e.g. Community Energy South) have supported a number of groups from start-up to project delivery. Longer term and more holistic programmes such as that run by RegenSW in the South West, or the Community Energy Wales project-support scheme, provide a range of services over time. Funding could support the development of regional/local networks based on these models in areas where there are gaps – e.g. the North West, North East, East Anglia, London.

### *5. The cost of capital and access to capital*

Independently of seed or concept funding, project business models for pure play renewables and energy efficiency projects require low-cost capital from development through to construction and term debt stages.

Funding could provide first loss, match funding or balance sheet support to help groups access the cheaper forms of capital that are available to commercial entities – thereby helping to level the playing field.

### *6. Energy efficiency*

As with renewables, this is an area that has been damaged by government policy. There is a need to continue communicating the value of community energy to households, individuals and the commercial sector.

The development of viable business models is already happening with the likes of Carbon Coop and Retrofit Works. However, this is a drop in the ocean. Funding non-commercial activity remains a big gap – e.g. work to change energy use behaviours and in depth help for vulnerable customers.

## **Project level**

There is a range of possible activities, depending on the stage of evolution of community energy groups.

More advanced groups that already possess assets are exploring more exotic options like battery storage and energy supply. However, many groups have completed, or are developing, one or two small projects that won't be sufficient to support dedicated personnel to develop new projects.

The end of FITs and Enterprise Investment Scheme (EIS)/Social Investment Tax Relief (SITR) tax relief has in many ways brought the sector together. Importantly, government-backed schemes like the £10m Urban Community Energy Fund have been scrapped. Future business models will result in diversification; some of the areas being explored are outlined in the next section.

## **Schemes that can be funded now**

### *7. Buying pre-constructed assets*

Hundreds of millions of pounds worth of commercial renewable energy projects (e.g. solar farms) funded by EIS tax relief are now looking to refinance and in some cases change ownership. This is time-sensitive, as it is happening now.

The larger schemes (e.g. 30MW) are being snapped up by pension/funds. Smaller individual schemes (e.g. 4MW) are not attractive, as they require a comprehensive appraisal to evaluate their commercial potential. Communities could compete with the commercial market regarding smaller schemes.

Funding could help build large, cheap capital funds to back the commercial negotiating expertise to secure sites.

### *8. Selling directly to the end user – Direct Wire*

A few schemes work without subsidy – these require good radiance (lots of sun and panels pointing in the right direction), a large ‘offtaker’ (energy user, e.g. chilled storage) and proximity to that oftaker.

Funding could support the development of these schemes.

### *9. Light-emitting diodes (LEDs)*

LEDs are to energy efficiency what solar photovoltaic (PV) systems are to renewables – steady state, ‘plug and play’, and therefore an easy route in to energy efficiency for community groups. There are still complexities around the legal contracts, the finance mechanisms and cost of capital.

### *10. Renewable heat*

The Renewable Heat Incentive is still available, albeit constantly under review and facing a downward pressure. Heat remains a key area for carbon emission reduction and tackling fuel poverty. Due to its complexities around fuel supply, location, sale of heat contracts and technical requirements in managing systems, it remains an untapped area of activity and worthy of funding support.

## **What are the future business models?**

The sector wants to be able to function independently, but it needs support to build viable business models, carry out feasibility assessments and make up for the fact that community energy groups don’t usually have easy access to risk capital.

There are a number of other areas being explored that will be helpful to develop as they could provide a lifeline of revenue streams, which in some cases could be subsidy-free. These are detailed below.

### *11. Vertical integration and becoming energy suppliers*

There has been a substantial increase in local authorities undertaking procurement exercises in this area, and there are potential revenue streams around this work and helping to shape the new entities. Grant-funding opportunities could help to seed local and regional community energy companies that deliver 100 per cent renewable and/or fuel poverty friendly tariffs.

### *12. Partnerships with local authorities and businesses*

Local authorities hold the key to property portfolios (e.g. school rooftops, or brownfield sites) and can act as enablers or blockers. As Plymouth Energy Community has shown, local authority partnerships or backing can have a transformative impact.

### *13. 'Behind the meter' innovation using a mix of technologies*

#### *14. Use of battery/storage*

The commercial sector is exploring and developing new business models around both these areas. They are very new, and any demonstrator projects will help raise the profile of community energy in the eyes of the commercial sector and government.

## **Possible actions**

### ***1. Use the same impact tools***

Funders (investors and grant-makers) should use the same impact tools to monitor those they support. This would allow the same data to be collected and collated across projects, and would enable the wider benefits of community energy to be more effectively captured.

The impact tool developed by Big Society Capital or the adaptation by Power to Change with the Access Foundation are possible options. This information could be shared through the Association of Charitable Foundations and with other investors/funders (Environmental Funders Network).

### ***2. Identify key policy issues***

The organisations involved could indicate the key policy issues to be progressed.

### ***3. Move the agenda forward***

The community energy organisations could provide a set of key elements that need to be in place to move the agenda forward.

### ***4. Identify key opportunities***

Information about key opportunities could be disseminated through the Environmental Funders Network.

# Presentations

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## Steve McNab, Simmons & Simmons

Ten or eleven years ago Steve co-founded a charity that ultimately became Pure Leapfrog. It was designed to bring down the costs of renewable energy and encourage community participation. There has been an increasing groundswell of 'nimbyism' around traditional energy projects and it is difficult for communities to engage with such projects. In Germany 40 per cent of energy is owned by the community; in the United Kingdom it's 1 per cent. Global subsidies for fossil fuels vastly outweigh subsidies available for renewables, and always have. A total of £490 billion in subsidies was paid last year for fossil fuels, and £120 billion for renewables. Yet we have a very dishonest conversation about renewables, with much talk about the need to reduce their subsidies.

Investor confidence was thrown into disarray before Brexit, which will have a further impact, although we don't yet know what that will be. Even more complicated, at the community level there is no 'dictatorship' to get this moving at the pace at which it needs to be done at the community level.

Will we have Hinkley Point? Will the European Union decide to punish the United Kingdom during Brexit negotiations? Will they allow access to interconnectors (which give us relatively low-priced European Union electricity at certain points of the day)? What will happen if Scotland becomes more independent? The value of subsidy and the renewables obligation are inextricably linked to the demand for fossil fuels.

It is becoming more and more challenging to deliver community projects; both costs and time are increasing.

Fundamentals improved last week when Amber Rudd agreed to a fifth carbon budget. We will still have a hard and fast target, which means a strong driver and the need for a large volume of renewables to come on stream. We are now looking at 50 per cent reduction in carbon by 2030, with an 80 per cent reduction by 2050. We want to see as much of that as possible to be democratically owned.

Targeting fuel poverty is the next big area. We must make sure that we can deliver renewable energy generation at the

lowest possible cost. Regulatory change has forced people to look at more challenging opportunities – the easy stuff is all gone. Hence, there is a need to bring together funders with community energy professionals.

There is an interest in how philanthropic capital can work, be that grants or loans and investments.

## Whitni Thomas, Triodos Bank

Triodos is a big lender to the sector. Both its banking side and its advisory side lend money out. Almost £200 million capital was lent out to renewable energy. Of that, 11 projects are community-focused. Another six projects are in the pipeline. A couple of these are wind and a few solar. Finance can be construction finance and longer-term 15 to 17 year debt.

On the advisory side, over the last five years Triodos has helped raise just over £26 million for renewable energy. Only one of those projects would be deemed community – we helped raise £2.5 million equity capital, and the bank also provided some bank debt for that. We currently have a couple of community energy projects in the advisory pipeline as well. Three basic elements that still make community energy easier to raise funds for are:

1. When it's hydro (FIT is still decent, and didn't get cut nearly as much).
2. When there's genuine community backing (this makes it easier for the planning process and for raising capital).
3. When there's a good power purchase agreement (PPA) in place (savvier communities out there have quickly come to understand that to make up for missing FIT they need to be negotiating on PPA).

One project in the early stages that will be an interesting test case is near Totnes. Triodos introduced a private development to a local community group, working on a 100kw hydro project. The plan is to have a PPA with the Dartington estate, which means the estate will get electricity 10 per cent cheaper than anywhere else. Combined with FIT and a relatively modest amount of capital (£800,000, which will all be raised through equity), this means the project is likely to be successful. The question is, will investors invest for the

long term with a 5–5.5 per cent projected internal rate of return and no tax break? That's the hypothesis they're testing. There is lots of untapped demand for people wanting to invest in this area. Over the life of the project, the community fund will be about £300,000. That's the other key element.

There are quite a few known unknowns. First, have investors' expectations adjusted with respect to financial returns – are they willing to invest for the long term at 5–5.5 per cent return? Will projects that are vertically integrated work going forwards? Will shared commercial community schemes work? Quite a few commercial developers are trying to find 'a community'. We are sceptical of those, but it's a model that is emerging. We are quite wary of projects that are raising short-term debt for what are essentially long-term assets. How are projects that raised just two- or three-year debt going to be successfully re-financed in the next few years?

What do we mean when we talk about *community* energy? Triodos's definition is that there is grounding, real buy-in, a diverse board of directors, good governance, etc.

**Everyone's costs need to come down**, community groups need to get savvier more quickly about negotiating big PPAs (with aluminium foundries, local farms, etc.). And who are the investors? Will they be willing to invest in something without a locked-in FIT? The hurdle is that much higher for solar and wind projects.

Building new isn't the only option; transfer ownership is also possible. The 'holy grail' must be scalability or replicability – creating replicable models and investing some money in making that happen, so that when we've done it in one place it can happen in another place without re-inventing the wheel.

### Laura Bowman, Esmée Fairbairn Foundation

The Esmée Fairbairn Foundation (EFF) is one of the largest UK-wide funders, making 300 grants per year. Since 2012, within our environment fund, 9 per cent has been spent on community energy, but that's only 1 per cent of our total spend. With our recent funding, we have tended not to fund individual community energy projects; instead, we are looking at opportunities for replication, etc.

The EFF is supporting flag-bearers on behalf of the sector, and pushing policy change to support the sector, work that promotes genuine community energy engagement, and work focused on fuel poverty.

The supply issue should be considered alongside affordability. The EFF has funded some projects that make it more affordable for individuals to invest in energy. We funded an Ashden winner – Repowering London – which offers employment and affordable energy.

The EFF has talked to our grantees about the reduction in FITs over the last year – the one upside is that the impact of the deep government cuts has seen people coming together to talk to each other, and people are much more coherent about the areas in which they can work together while recognising where they are still competitors. The sector is proving quite resilient, and creative ideas are already being put forward. The sector was able to mobilise quite a lot of response when the FIT consultation opened up.

Because the EFF is not technical, both on the social investment and grants side, technical projects can prove challenging. We are curious to know more about what creative and innovative ideas might be coming forward.

### Alex Germanis, on behalf of Pure Leapfrog, and supported by Community Energy England, Energy4All, Energy Saving Trust, Ethex, Regen SW

Brexit is quite monumental; it flagged a number of things we could already see reflected in energy. For example, people feel disenfranchised; the energy system is not working for people. It keeps the lights on, but at least 10 per cent of the population of the UK is in fuel poverty. That's caused by a number of difficult issues, including existing policies and structures. It's a centralised system, it's got inherent inefficiencies and it's a political football. That's the context in which community energy has developed. It's very expensive to play the energy game. To join the big six and become an energy supplier, the entry price is roughly £1 million.

#### What is community energy?

Common threads – it is energy that:

- people can own;
- people benefit from;
- people can control.

#### What does it look like?

Plymouth Energy is a gold standard in community energy. The project had local authority involvement, it was on a former

landfill site and it will deliver £2 million in community benefit. Plymouth is *not a middle-class area* – it has plenty of issues with deprivation. The community benefit fund supports a fuel poverty advice scheme in which individuals help to provide advice to community members. They are beginning to build confidence in investment now, and are delivering multiple projects, supported by an organisation that has a great governance structure.

The city council didn't say 'let's build renewable energy projects and then work out what to do with the funding' – they developed the project because they were answering the question of *how to deal with fuel poverty*. With the deep cuts in government support mechanisms, this approach will be difficult to replicate as surplus community funds will be much smaller, but it does showcase a holistic and forward-thinking approach. Having a very low entry point – £50 minimum to invest – really did engage local people and bring in a wider cross-section than might otherwise have been involved. Another challenge with replicability is that this project was led by the council; no other council, even in the South West, has been willing to give up on the idea of getting a return on investment themselves.

There's a great deal of *diversity* around how community energy projects come about and are led: it's anything from a bunch of friends at a kitchen table talking about what they can do in their community on climate or fairness within the energy sector, to well-established social enterprises with paid staff. It's a professionalising sector, and there is a natural progression, but that doesn't happen in every case.

Community energy can involve a diversity of activities, too. It can include a whole *range of different products, services and ways to interact round energy, including energy efficiency*. It's about groups delivering energy advice, creating behaviour change, making bulk purchases of home renewable energy, looking into renewable transport, etc.

Community energy can create *mass social impact investing*. You can engage hundreds of thousands of people. People have the dual motivation of achieving a positive environmental goal while also getting a return on their investment.

Community energy can *influence the wider energy sector* – it's a small but growing part of the energy industry. It has a much wider impact than you'd expect and we are witnessing the growth of ethical energy in green energy suppliers and supporting the ecosystem of renewable energy through to

equipment manufacturers. A couple of energy suppliers are starting to consider work with community energy. Community energy demonstrates just how positive a low-carbon energy future can be.

There are 450–500 active community groups dedicated to delivering energy projects right now. The vast majority of the projects are led by volunteers. 100MW+ have been delivered so far, and we're expecting that number to double. The 'state of the sector' survey in 2015 revealed 55,000 people have invested around £75 million+ in local energy projects. Community Energy England is about to conduct the 2016 annual survey.

Power to Change supported Community Energy England to undertake useful work on infographics depicting community energy funds and the number of community energy groups getting involved in projects.

### Policy

Community energy, much like the wider renewable energy market, has been subjected to dramatic shifts in policy. This is visible in the huge spike in the amount of money raised for community energy last November to make the deadline before the Enterprise Investment Scheme (EIS) tax relief was eliminated. There is still a fair amount of funds coming in, but it's likely to drop off substantially now as the FITs are disappearing and pre-accreditation, which allowed groups to 'book' their FIT, has been taken away.

When the policy was favourable, it helped community energy to grow, and the sector doubled in just a two-year period compared with the previous 10 years.

### Funding

Community energy can address fuel poverty, create jobs and local economic resilience, deploy low carbon technology, etc. – it ticks a number of boxes, which means it can be difficult to categorise. When organisations approach funders it can be challenging to explain what the project is about, and the proposal can sometimes fall between two stools. This is an issue both for politicians and the general public – the government cut in EIS tax relief was in no small part due to HM Treasury not understanding what community energy was about, listening to the commercial sector and not understanding the distinctions of the community sector – lumping community energy in with 'the City'. Community energy people need to improve how they clarify and articulate what they do and where the benefits lie.

### Types of funding

At the riskier end and earliest stages, community energy projects are most suitable for grants. Then as the risk reduces and maturity increases, the following forms of funding become more appropriate, in order: seed capital, commercial finance, then institutional finance and bonds.

With the margins becoming slimmer and slimmer, the cost of capital is becoming increasingly important, and some projects are only viable with 1–2 per cent interest rates.

Community energy is the ideal scope for endowment funds needing a steady return, as it gives a return in excess of gilts, and it has the social impact foundations desire. It doesn't fall within same pot as everything else. It needs some innovative thought from a broader range of participants.

A quirk of community energy versus other types of energy is around timing: a lot of the projects are run by volunteers and take longer to deliver than traditional energy projects, so they need patience and different types of structures. Lots of groups are getting together and sharing experiences to see what the options are for adjusting to the new policy landscape. Some of the options include looking at storage with energy provision, vertical integration, and new avenues for revenue streams.

### New business models moving forward

The most viable model is where you have the ability to sell electricity directly to users, and where possible bypassing the grid. That's what the commercial sector is doing through direct wire agreements and as a fall back through PPAs. The key is the price the energy can be sold at.

The Renewable Energy 100 campaign – whereby large companies commit to moving to 100 per cent renewable – provides a huge opportunity. It's very difficult to do a private wire to a local business, because you have no real guarantees that they'll be there in five years' time, but if the PPA is with something like South West Water or Marks & Spencer, it's going to be more secure (probably!).

One project they've just launched at Regen SW relates to new business models, looking at issues such as storage (no viable financial models at the moment, despite the general idea that it's possible, though batteries aggregated together could be possible), ways to supply local communities with locally generated electricity and community heat. In many ways, heat is local – you can't move it round like electricity, so it's a natural fit.

In terms of fuel poverty, *heat is a much bigger issue*. Separately, they're running the Sunshine Tariff trial where they're looking to overcome grid issues through demand shifting with a community group in Cornwall. There is lots of opportunity there.

### Where are the funding gaps?

There are two ways of splitting this up: into conversations and idea generation, and demonstration projects. First, the conversation around energy – there will need to be discussions around local ownership, what is community energy, how we mobilise everyone, financial mechanisms that are going to work, what we need to ask from the government to make these viable in available frameworks.

Second, we need demonstration projects: new business models around energy efficiency, variations on what's currently being tested, the things Regen SW are doing, described above. What schemes can be backed now? There is a risk that those projects that started but didn't get far enough to obtain the FIT will not happen.

### How the model can work with social housing

Social housing provides the opportunity to apply all the different models of community energy, for example energy efficiency measures such as insulation and LEDs, demand shifting, introduction of storage, installation of renewables, and so on.

### September and 'Brinterruption'

We currently have a policy vacuum, and there is a lot of confusion as to what's happening. Our prediction is that Brexit will increase the cost of capital as there will be less deployment happening in the mainstream market.

The cost of equipment will be higher due to the value of the pound falling, and this will be coupled with higher currency risk.

But there are also opportunities – the policy vacuum is an opportunity for communities to show they deliver social benefit and value, and there's access to alternative forms of finance. Not least with the probable increase in energy prices, the value of locking in cheaper energy through renewable energy and energy efficiency measures will make offers more attractive.

# Discussion

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We are creating a democratic energy system – this can be seen in the fantastic turnout at AGMs for the developed projects that have been operating for a while.

## Monitoring and measuring community benefit

One participant was sceptical that community benefit is sufficient for investors – not all schemes are monitoring and measuring community benefit sufficiently. Over the next few years there's going to be a lot of community benefit available; how will it be spent? Community benefit funds are attached to most commercial projects. Hopefully community group funds will be spent better/more effectively.

There has been quite a lot of thought on community benefit best practice in the commercial sector, so perhaps there is no need to reinvent the wheel. Community Energy England carried out research into where community benefit funds have been spent (e.g. 45 per cent on local contractors, etc.) and has produced an infographic illustrating the findings. Wider assessment across the sector would be really useful. For instance, in terms of benchmarking, can we come up with a minimum industry standard of what proportion of the profits will go into a community benefit fund?

But, of course, the benefits go beyond money. The goal is to create more resilient communities. Pure Leapfrog has funded over 24 projects. Each project is totally different in terms of benefits. What's common across them tends to be fuel poverty reduction. Funders could play a role in creating an infrastructure.

A bank of indicators that show the social impact/community benefit of community energy would be a good idea – the sector has struggled to monitor this. A broad array of indicators is needed that are easy to collect and widely accepted. The way to get people to adopt those indicators is to have funders require them.

The Energy Saving Trust is working with the Welsh government to develop indicators on community energy around their Wellbeing of Future Generations Act. The

Trust is also working to develop tools that will be easier for communities to use (around community energy – even things like how many people were reached have not been tracked before).

Power to Change, together with Access, has embarked upon a large initiative to put together an online impact measurement platform using Big Society Capital indicators. They are currently trialling it with grantees, aiming for as much real-time measurement of impact as possible. They're trying to give grantees the easiest way to enter the data (e.g. through mobile phones). That approach is designed for a general grant programme; it is worth considering how it would work in this sector.

It's important to identify the best projects when there isn't a particularly steep cost gradient between those that are better and worse. How can non-technical funders work out which ones are the best to invest in? Funders want innovation, but they also want scale. Sometimes it's hard to work out which you are looking at.

People have got better at talking in laymen's terms about community energy. If you can't communicate to a funder, you're never going to be able to communicate to people in a socially disadvantaged area who are struggling to deal with day-to-day issues.

One participant felt there is a risk in looking at community energy as a means to deliver benefit, rather than as a goal in itself. Community energy is not about delivering cash community development, though any surplus must be shared fairly (and unfortunately that surplus is rapidly shrinking). There will be a need to fund not just flag bearers for the sector – the best way of getting scale and replicability is to produce a project itself, not just to talk about how it might be done. Funding has tended to go to intermediaries rather than 'doers', which results in papers and not projects. There are about six to ten large organisations that are constantly thinking of new ideas and that have resources, and there are a number of smaller groups that do not have the resources.

Investment through individual savings accounts (ISAs) or self-invested personal

pensions (SIPPs) is not straightforward, but it is possible. The challenge is to continue to try to make it easier so that people don't have to use the full service of SIPPs providers, and to try to make sure innovative new ISAs can be expanded beyond peer-to-peer lending.

In terms of the cost of capital, Whitney Thomas from Triodos was quite optimistic. All pressures Triodos is seeing play out lead to interest rates staying on the floor for a long time, and possibly even going lower. So we are probably not going to see a massive spike in the cost of borrowing in the near future.

Good Energy, Ecotricity, etc. are looking to create new models for both financing and community engagement in the community energy sector, and there's a job that needs to be done in engaging with them to create replicable models. Ecotricity has raised lots of money from its shareholders, which is a different way of raising funds. They know that if they can get more money and more community buy-in, they can build their businesses faster. However, one participant highlighted that crowdfunding for commercial energy supply companies did not reflect the value creation or address the local economic benefit element – crowdfunding for commercial energy is not much different to investing in a renewables fund on the stock market, whereas local engagement has a different effect. An interesting model is an option to engage in Wales with Welsh Water (which is more of a social enterprise). There might be opportunities to engage with a wider group of people in trying to create partners for support.

How can we share templates between communities? Power to Change are doing a lot of this in housing and in sport – how can we do it in community energy? The Friends Provident Foundation has supported Pure Leapfrog to also develop a suite of templates for legal contracts, which is helping to standardise the delivery process.

## Developing skills in the sector

We should not underestimate how complicated it is for communities to carry out these kinds of projects. If you ask what they'd learned, they will often say, 'I would never have done this, had I had any idea what I was getting into.' You have to master so many different areas/issues. There are a few peer mentoring programmes that bring groups together to learn from each other and from experts. They've learned to support each other, peer-to-peer. You can pick up the phone to talk to someone who

has already implemented a solar project, or a wind project. It takes quite a long time for those networks to develop, but they are more effective than providing a template for what is a fast-moving and context-aligned area. The networks have been really successful. That way of helping communities develop skills and share them among themselves is going to be really important in scaling up. Enabling local networks to connect with other groups nationwide would improve knowledge dissemination.

One participant asked: 'To bring about the significant change we need in funding, infrastructure, etc., what types of groups need to change? Is it the communities, is it BEIS, is it the umbrella organisations?'

Stephen McNab said Ofgem and BEIS would need to change. A few years ago Germany made some changes that really helped, which we could do with a little bit of legal drafting and if we had some firepower aimed at doing that, though the 'big six' wouldn't be thrilled. Such changes could really revolutionise some of this work. There are some structural changes that might need to be done – such as network-building (see above), work to standardise and simplify documentation across loans, processes, etc.

A lot of partnerships will need to be with local authorities, and that will come down to the contracts. South East London Community Energy tried to put PV systems on roofs of schools in Lewisham and Greenwich, and the local authorities had totally different ways of going about it. Local government is definitely a useful place to engage. Funders could play a role in pushing for the use of standard legal documents.

## What do we want to come out of this discussion?

- Emma Bridge of Community Energy England is happy to help funders vet proposals and understand the technical side.
- Immediate needs should be fed back to the Esmée Fairbairn Foundation.
- Longer term work includes working out how to capture the impact of schemes. This is a real challenge.
- Funders should consider using existing frameworks for monitoring and reporting the impact of community energy.
- It is important to keep community energy high on the policy agenda – where MPs have seen this work in action, they've recognised its value.

- Can groups that presented here come back with a list of funding priorities plus an idea of how much it would cost?
- It may be useful to explore the degree to which middle-range energy companies – for example, Good Energy, Ecotricity – might be useful allies.

# Attendees

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Lisa Ashford, CEO, Ethex.

Graham Ayling, Head of Foundation, Energy Saving Trust.

Laura Bowman, Grants Manager, Esmée Fairbairn Foundation.

Emma Bridge, Chief Executive, Community Energy England.

Michael Chaitow, Tellus Mater Foundation.

Sam Clarke, Low Carbon Oxford North & Network for Social Change.

Liz Corrado, Power to Change.

Alex Germanis, CEO, Pure Leapfrog.

Bevis Gillett, Trustee, Polden-Puckham Charitable Foundation.

Merlin Hyman, Chief Executive, Regen SW.

Roger Manser, Kestrelman.

Steve McNab, Partner – Environment and Climate Change, Simmons & Simmons.

Adrian Merville-Tugg, The Bromley Trust.

Florence Miller, Co-ordinator, Environmental Funders Network.

Michael Norton, Foundation for Better Transport.

Mark O'Kelly, Head of Finance, Barrow Cadbury Trust.

Mike Smyth, Chairman, Energy4All.

Martin Stanley, Freelance.

Nils Stronach, Community Foundation, Tyne & Wear and Northumberland.

Whitni Thomas, Venture Capital Investment Manager, Triodos Bank NV.

Danielle Walker Palmour, Foundation Director, Friends Provident Foundation.

## Further information

Funded and supported by the Friends Provident Foundation, an independent grant-making charity. The views expressed in this summary are those of the authors, and not necessarily those of the Foundation.

**[www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org)**

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