Learning from Scotland and Wales: how can the UK Government support community energy to deliver clean power?

Summary

The picture of community energy support across the United Kingdom is varied, with communities in England and Northern Ireland receiving limited support in comparison to Scotland and Wales.

Access to comprehensive advice and support is critical for community energy organisations, who are often time and resource poor, to be able to successfully navigate a complex and confusing project development process. Many community energy organisations will not be able to complete this process by themselves.

Given the UK Government's ambition to deliver 8GW of local and community owned energy to support its 2030 clean power mission and the range of wider economic, environmental and social benefits of community energy, it is vital that England and Northern Ireland can draw lessons from the support already available in Scotland and Wales.

This briefing focusses on the implications for England but similar support would also benefit the development of community energy in Northern Ireland.

The Welsh Government Energy Service supports renewable energy projects for both the public and community sectors, including solar, wind, hydro power, and energy storage technologies.

The Welsh Government Energy Service also supports public sector energy efficiency and low carbon transport projects. The impact of the service is clear: an estimated 44.5 MW of new renewable energy capacity has been installed in Wales since 2018, enough to power approximately 18,000 homes.

In Scotland, the Scottish Government's Community and Renewable Energy Scheme (CARES) supports projects related to renewable energy generation, the decarbonisation of community buildings, shared ownership of commercial renewable energy projects and the delivery of community benefit funds.

Since inception, CARES has helped support the installation of 60 MW of renewable energy capacity in Scotland.

The UK Government must set up a community energy support programme in England as soon as possible, drawing on the successful model exemplified by CARES and the Welsh Government Energy Service. Energy Saving Trust's delivery experience means we are well placed to support the design and delivery of this and we suggest the following recommendations should be taken forward to ensure its success:

1. **Operate a 'one stop shop' model of support.**

Combining access to financial support with expert, impartial advice in a 'one stop shop' model makes it as simple as possible for community energy organisations to access and follows the proven successful models in Scotland and Wales.

2. **Support projects from an early stage to develop investable projects.**

This is important as turning a project idea into an investable proposition can prove to be challenging and community energy organisations cite lack of early-stage support as a key barrier to project development and many organisations will be unable to do this by themselves.

3. **Build capacity to ensure advisors are trusted experts within their communities.**

Advisors will have knowledge of the community energy sector in their area to be able to provide locally bespoke advice.

4. **Support should be demand led and responsive to the sector's needs.**

This ensures support is tackling the most pressing challenges to project development and will make the most difference for community energy organisations.

5. **Combine support services with revenue certainty for maximum impact.**

As the wider policy environment for community energy impacts the financial viability of projects, this would have a significant impact on the number of projects a support service could help get off the ground.

6. **Support communities to explore shared ownership opportunities.**

Many communities who are approached by commercial developers will not have the readily available skills and expertise to engage with developers and will need to rely on impartial advice and support.

7. **Support more than just renewable energy generation.**

Community energy organisations can support the UK Government's 2030 clean power mission and wider decarbonisation goals through projects spanning from energy storage to low carbon transport.

What is community energy?

Community energy refers to the delivery of renewable energy generation that is either wholly owned by communities or partly owned through shared ownership with the commercial or public sector. Community energy organisations also deliver initiatives relating to energy efficiency, renewable heat and low carbon transport.

Why does community energy need support?

Delivering community owned energy projects is complex and confusing: there are various stages to project development, from technical appraisals and feasibility studies all the way through to raising capital costs for construction. Applications for planning permission and grid connections can be difficult to navigate and may vary dependent on region or local authority.

Many community organisations will be unable to complete the development process themselves. Community energy organisations tend to be volunteer led, with limited time and capacity to develop the in-depth financial, technical and legal expertise required. Wrap around support is therefore crucial to hand hold community energy organisations through the numerous barriers to project completion. Communities who have never before been involved in community energy can also feel confident that they can successfully develop a project with guaranteed support.

Additionally, financial advice to develop robust business models is crucial to ensure projects are well developed and can attract private investment, as well as lowering the risk that a project will fail.

Background to community energy policy in England

In England, financial and technical support from the UK Government is currently minimal. The revocation of the Feed-in Tariff (FiT) had a significant impact on the economic viability of electricity generation projects, with the growth of the sector stalling from 2017. The closure of the non-domestic Renewable Heat Incentive (RHI) in 2021 also removed the main source of financial support for community heat.

Funding in England has lacked certainty and consistency. Both the Urban Community Energy Fund and the Rural Community Energy Fund ended without any replacement. A new Community Energy Fund was announced in 2023 providing £10 million over two years, yet this is still insufficient to fully realise the potential of community energy.

Whilst Scotland and Wales have both set local ownership targets, this has been absent in England. Policy around shared ownership is also minimal in England, whereas both Scotland and Wales have standards surrounding shared ownership offers for communities. These policy gaps combined with the absence of a Community Energy Strategy since 2014 has meant community energy has not been seen as a priority in England.

Additionally, the lack of a government backed advice and support programme is a critical policy gap. Although Community Energy England can provide some support, it lacks the

resources and capacity to provide the in-depth, handholding support available in Scotland and Wales that community energy organisations require.

The lack of a centralised support scheme also creates a postcode lottery of advice and financial support, where certain areas are serviced well by local authorities, whilst others are not. This is reflected in the data, with over half of local authority funding secured by organisations in the Southwest of England in 2021.

The new UK Government's Local Power Plan intends to deliver an ambitious target of 8 GW of renewable energy projects by 2030 in partnership with local authorities and communities across the country. To achieve this target, significant scale up of local and community owned energy will be required. There is little detail yet on how the sector will be supported to scale or how any support will be effectively rolled out.

What are the wider impacts of community energy?

Whilst the wider impacts of community energy can be hard to quantify, it clearly brings about significant additional benefits which we see from the work we do on behalf of the Scottish and Welsh governments, as explored more below.

Community-owned windfarms have been found to provide an annual average return of £170,000 per installed MW back into their local community. This is 34 times higher than privately owned windfarms.[1]

The revenue generated from community-owned energy generation projects can support a vast range of initiatives. This includes climate education, community gardens and programmes tackling social isolation and loneliness.

Regarding wider economic benefits, community energy organisations contributed an estimated £12.9 million to local economies from organisational expenditure and community benefit funds in 2023. This is not to mention the job creation generated through local contracts or jobs within organisations themselves.

Revenue generated is also being funnelled into low-cost energy efficiency measures, reducing carbon emissions and energy bills in the process. There are several other innovative ways in which community energy is helping local communities reduce their bills.

For example, *Egni Coop* in Wales sells electricity generated through their rooftop solar panels to community buildings at a reduced rate through a Power Purchase Agreement (PPA). This brings down bills for local buildings, whilst freeing up income for service delivery.

Additionally, energy local clubs in Wales have allowed local communities to buy energy at a reduced rate when the small-scale generators in their communities are generating. This not

[1] Please note that figures may include projects supported by the Feed-in Tariff, and the level of returns for community-owned renewables in a post FiT environment is likely to be significantly lower.

only reduces household energy bills but helps match supply and demand at a local level. This can help to reduce grid constraints and can limit the need for network upgrades.

Additionally, community energy schemes can increase support for infrastructure development in a local area, such as onshore wind, by making the benefits tangible. The 9CC Group in Scotland, who effectively engaged the local community in East Ayrshire to develop a 10-year community action plan to make the best use of community benefit funds, is a good example of engaging a community in how it wants to benefit from renewable energy generation.

Community energy also raises awareness of, and engagement with, net zero more broadly, which has been highlighted by the Climate Change Committee as key to meeting the UK's climate targets.

Community transport organisations are also paving the way for a just transition for the transport sector. They provide services for those with limited access to public transport, such as disabled people or those in rural communities. This ensures an inclusive approach is taken as the UK seeks to reduce private car usage. Other organisations are setting up EV car clubs, allowing access for those unable to afford the upfront cost of EVs and helping to ensure no one is left behind in the net zero transition.

Welsh Government Energy Service

What is the Welsh Government Energy Service?

Since 2018, we have led a consortium along with the Carbon Trust to deliver the Welsh Government Energy Service. This offers free technical, commercial and procurement support to both local authorities and community energy organisations on projects relating to:

- regional energy planning
- energy efficiency
- renewable energy
- low carbon heat
- zero emission vehicles and charging infrastructure

Support is available from project conception through to completion, guiding organisations through the process. The Welsh Government Energy Service engages with other stakeholders that can influence project viability, including District Network Operators (DNOs).

What does support look like in practice?

Support available through the Welsh Government Energy Service covers a range of areas to help overcome barriers to project completion, and includes:

1) A Development Manager to coordinate and deliver tailored advice for individual projects. They can advise on scoping and feasibility studies, as well as technical and financial modelling.
2) A strategic lead to secure commitment needed at a senior level within individual organisations, as well as ensure project alignment with wider decarbonisation and economic goals at a regional and national level.
3) Various forms of financial support aimed at removing barriers to project development, including:
    - Development grants towards costs that cannot be delivered by the service, such as legal work, complex grid applications and specialist surveys or studies.
    - Development loans for projects that require significant pre-construction finance.
    - Grant funding to directly cover resource costs within community energy organisations. As of August 2023, £750,00 had been committed to cover resource costs for community organisations.
    - Grant funding to support community energy organisations looking to develop shared ownership opportunities.
4) Support to secure capital funding, including:
    - Access to the Welsh Government backed Local Energy Loan Fund, which is managed by the Development Bank of Wales. Loans of between £50,000 and £2,000,000 over a maximum of 20 years are available. The Energy Service provides application support and the development of financial models to increase the chance of success for community organisations.
    - Access to the Local Energy Grant which can provide construction grant funding for eligible projects.

What is the impact of the Welsh Government Energy Service?

Since 2018, the Welsh Government Energy Service has supported the installation of 44.5 MW of renewable electricity capacity, the equivalent of the electricity needed to power 18,000 homes.

In 2022/23, community energy organisations received £1.2 million in grant funding to support renewable energy project development and capacity building. This is driving the delivery of Welsh Government's local ownership target of 1 GW by 2030 and 1.5 GW by 2035.

The carbon savings expected from all carbon reduction projects supported by the Welsh Government Energy Service between 2018 and 2023 are impressive, at 695,000 tonnes of CO2e, around the same as driving a car around Wales 1.7 million times.

The impact on local economies is also evident. Between 2018 and 2023, public sector and community organisations have invested £169.8 million in energy efficiency, renewable energy generation and zero emission fleets.[2]

An estimated £320.8 million in lifetime savings and income for the public sector and community organisations will have resulted from projects supported over same time period by the Welsh Government Energy Service.

Community and Renewable Energy Scheme (CARES)

What is the Community and Renewable Energy Scheme (CARES)?

CARES acts a 'one stop shop' for community and other eligible organisations in Scotland looking to explore their renewable energy options, providing advice and financial support.

Energy Saving Trust leads the consortium along with other industry partners to, on behalf of the Scottish Government, administer and manage CARES through Local Energy Scotland.

CARES support is available to a variety of projects, including those relating to renewable energy generation, the decarbonisation of community buildings, community shared ownership and the delivery of community benefit funds.

What does support look like in practice?

Support through CARES goes far beyond just the financial, recognising the variety of technical challenges that can stifle project development. Organisations accessing support from CARES receive support in the form of:

1) Funding through grants and no/low interest loans to develop projects.
2) Free, expert and impartial advice from our local development officers.
3) Free online resources including toolkits and project guides to help communities identify what might work for them.
4) Technical support through CARES' framework contractors. For example, to complete a feasibility study or develop a renewable energy project.
5) Access to project managers with the right experience to develop a communities' project.
6) Mobilisation support for capital projects, including design review, costs and procurement support.
7) Ongoing support with project development and delivery.

[2] This is a combined capital figure. It encapsulates any grant funding received as well as any additional capital investment received by any project directly supported by the Welsh Government Energy Service.

What is the impact of CARES?

Since inception, CARES has advised over 1,150 organisations and has offered over £65 million in funding to over 900 projects. This has helped support the installation of 60 MW of renewable energy in Scotland to support the Scottish Government's local ownership target of 2 GW by 2030.

Between April 2023 and March 2024 alone, 2.4 MW of renewable energy was installed, resulting in 8.5 Mt of lifetime CO2e savings.[3]

In the last year, CARES also supported 79 community buildings to install low carbon heating systems.[4] Eight organisations were also supported through grants for legal and financial advice regarding community shared ownership.[5]

Plugged-in Communities Grant

What is the Plugged-in Communities' Grant?

Transport Scotland's Plugged-in Communities Grant Fund supports community transport organisations in Scotland to purchase or lease zero emission vehicles, from cars to minibuses. 100% of the costs can be covered, up to £75,000 per vehicle, excluding VAT. The fund supports organisations in both urban and rural areas.

What is the impact of Plugged-in Communities?

Since launching in 2021, more than £3 million in grant funding has been provided to support 39 different organisations purchase 53 electric vehicles.[6] Since 2022, projects supported by the Plugged-in Communities' Fund have saved 8058.49 tonnes of carbon emissions. This funding is enabling them to expand low carbon transport options within their local communities and provide transport services where it otherwise may not be available.

What lessons can be learnt for England?

A community energy support programme drawing on the successful models in Scotland and Wales must be rapidly delivered in England to ensure the UK Government meets its local power ambitions. Given Energy Saving Trust's significant delivery expertise, we stand ready to support the UK Government implement such a programme in England. The following recommendations should be taken forward to deliver this effectively:

[3] Please note that these figures are taken from unpublished Energy Saving Trust data.
[4] Please note that this figure is taken from unpublished Energy Saving Trust data.
[5] Please note that this figure is taken from unpublished Energy Saving Trust data.
[6] This fund closed following full funding allocation in FY 2023/24 and future funding has not been confirmed, if the fund returns in future terms of the fund may be subject to change.

1. Operate a 'one stop shop' model of support

Both CARES and the Welsh Government Energy Service operate a 'one stop shop' style model. This means that all support and advice available, from technical advice on suitable technologies to details of trusted local suppliers, can be accessed from one place.

Access to cross-cutting financial support through various grants and loans is also available through the services, meaning community organisations can be clear on what they are eligible for and supported through the relevant application processes. This makes receiving advice and accessing financial support straightforward and simple for community organisations, who are typically time and resource poor.

Such a 'one stop shop' service should be replicated in England as soon as possible to meet the ambitions of the Local Power Plan. This could operate either on a national level or through a series of regional services that could be delivered, for example, by combined authorities.

Regional services may be more able to adapt their support offering in line with what the community energy sector in their region requires, particularly as regions may be starting from a different basis dependent on prior support for community energy delivered by local authorities.

2. Support projects from an early stage to develop investable projects

From Energy Saving Trust's experience delivering community energy support on behalf of the Scottish and Welsh Governments, it is clear the most challenging aspect is often turning a project idea into an investment ready proposition, rather than raising financing to cover the capital cost of construction.

This is particularly true when there is a lack of revenue support mechanisms that provide long term price guarantees on which community energy organisations can rest their business models. Supporting community energy organisations from an early stage to develop investable projects should therefore be a priority for any services set up in England. This is especially true given that as of 2021, 32% of community energy organisations in England cited a lack of early-stage funding as a key barrier to project development. Additionally, English based community energy projects receive significantly lower levels of development funding per head compared to Wales and Scotland.

3. Build capacity to ensure advisors are trusted experts within their communities

A key strength of both the Welsh Government Energy Service and CARES is that advisors are community energy experts, trusted by, and embedded within, the community they are supporting. They become experts in their areas over time by engaging directly with community energy organisations. This gives them an understanding of the specific challenges of a given area and means they can tailor advice accordingly.

The long-term nature of both programmes has also enabled this, with CARES having been in place since 2010 and the Welsh Government Energy Service in place since 2018.

For any community energy support in England, capacity building may be necessary in areas where there are few community energy experts to enable such a model from the outset.

Nevertheless, it is important to spend the time and resources doing so to deliver effective, impactful support.

4. Support should be demand led and responsive to the needs of community energy projects

The success of community energy support in England will hinge on its ability to be responsive to the needs of the sector, providing solutions for as many barriers as possible to drive project completion.

Engagement with other actors in the energy sector may be vital to address issues as and when they arise. For example, a project may have its grid connection offer terminated. Support services should be able to respond to this issue, remaining impartial whilst engaging with DNOs and providing evidence of project progression.

Being demand led also means adapting the type of financial support available dependent on need. The financial offering must be flexible to respond to the different challenges faced by community energy organisations. For example, the Welsh Government Energy Service introduced the Community Energy Resource Grant to fund staff costs in response to a lack of resources preventing projects from getting off the ground.

The value of the support services in Scotland and Wales is their ability to spot and respond to new and emerging barriers using insight from day-to-day engagement with those on the ground.

5. Combine support services with revenue certainty for maximum impact

Impartial advice and support services can do far more when working in a policy environment that contributes to project viability. Policy changes, such as the revocation of the Feed-in Tariff (FiT), have made it increasingly more difficult for business models to stack up.

A revenue certainty mechanism would allow more community energy projects to be economically viable and enable support services to get more projects up and running. This could look like a guaranteed floor price for community energy projects over a long duration of time.

Support services can also maximise the effectiveness of any revenue certainty mechanism. Encouraging local authorities to set up PPAs with community energy groups for energy supplied to local buildings is also another means to guarantee revenue and creates further benefits for the local area.

6. Support communities to explore shared ownership opportunities

Shared ownership will be crucial to meet the Local Power Plan's 8 GW local ownership target. There must therefore be a robust shared ownership support offering as part of the 'one stop shop' model for England.

Legal support and advice for shared ownership is critical as very few communities will have readily available skills, time or capacity to represent themselves in engagements with commercial developers. Less affluent and more marginalised communities will be more at risk of missing out if there are not the relevant structures in place to guide communities through the shared ownership process.

Specific financial support for shared ownership should also be considered, for example, like The Welsh Government Energy Service shared ownership grant. This grant can be used to support communities to secure specialist financial and legal assistance to develop robust shared ownership projects.

7. Support more than just renewable energy generation

The Local Power Plan has focused on increasing the number of local and community owned renewable generation projects. Yet, it is also important to recognise the community energy sector is not limited to just electricity generation and there is significant value in projects outside of this scope.

For example, the community organisations supported by the plugged-in communities grant are contributing to decarbonising transport, the UK's highest emitting sector. They do so in a fair and just way, allowing everyone within a community to feel the benefits of net zero.

Additionally, community energy organisations are involved in energy storage projects, in particular battery energy storage systems, given the possibility for integration with existing community owned electricity generation.

An estimated 319 community energy organisations across the UK were also involved in energy efficiency projects as of 2023. Other organisations, such as Bath and West Community Energy, are exploring incorporating flexibility services into their business models and taking on a flexibility aggregator role, where they act as an intermediary between local households and the grid.

Supporting community energy organisations expand their role in these areas will support the UK Government's vital mission of clean power by 2030.

For more informaiton, please contact:

Emma Mckelvie, *Policy and communications officer* emma.mckelvie@est.org.uk

Stew Horne, *Head of policy* Stew.Horne@est.org.uk

Annex I: List of case studies

Community owned renewable electricity generation

Awel Aman Tawe & Egni Coop

- Community windfarm and rooftop solar cooperatives, with two 2.35 MW wind turbines and over 90 solar sites with nearly 5MWp of capacity.
- All surplus goes into climate education.
- Innovative rooftop solar business model using PPAs with local buildings.
- Highly professionalised, with multiple full time staff.

Edinburgh Community Solar Cooperative

- Rooftop solar scheme with 24 solar sites with an installed capacity of 1.38 MW.
- Innovative rooftop solar business model using PPAs, combined with FiT.
- Distinctive agreement with the local council, whereby the council will own the solar panels after the 20 year PPA finishes.
- Any revenue directed into community benefit fund.

Bonwm Hydro

- 100kW Hydropower scheme using water from the local stream to power local homes.
- Potential to be linked with an Energy Local Club to lower bills for local homes.

Bro Dyfi Community Renewables

- Two wind turbines (75 kW and 500 kW) and developing a 300 kW solar PV array on the same site.
- Profits generated reinvested into local initiatives, including the Dyfi community energy Fund, which offers grants for energy efficiency and climate education.

Shared ownership

Crossdykes windfarm

- Financial and legal advice received CARES was central to moving forward as local community was initially sceptical.
- Early community engagement, with share offer revised to enable the community to take up the shared ownership offer.
- Community made substantial profit when the windfarm was sold which has begun to be reinvested into the community via the Crossdykes Community Benefits Limited (CCBL). Projects supported so far have included funding for improvements to community buildings as well as operational costs for local services, such as community transport organisations supporting vulnerable residents.

Community benefit funds

The 9CC Group

- Legal advice from CARES was central in setting up the group to enable the distribution of community benefits.
- A community action plan was developed, which consulted more than 1,700 people within the local area and sets a 10 year plan for the use of the community benefit fund.
- £100,000 delivered so far, including the installation of solar panels on community buildings and the creation of a community garden.

Community building decarbonisation

Alford and District Men's Shed

- Full integrated energy system, comprising 21kW of solar panels, a storage battery and two external air source heat pumps.
- Received a capital grant of £84,875.50 from CARES to install the system.

Community transport (supported by Plugged-in Communities)

South Ayrshire Community Transport

- EV car club and electric bikes made available for residents.
- Excursion club designed for those who find it hard to make use of existing public transport.
- Re-established a local bus route that had not run in 15 years.