Call for Evidence - Barriers to Community Energy Projects
Department for Energy Security and Net Zero

UK100 Submission

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Introduction

This submission is from UK100 which is a network of local authorities and their leaders who have pledged to lead a rapid transition to Net Zero in their communities ahead of the Government's legal target.

Our submission focuses on the following key concerns that we consider crucial for achieving the objectives:

1. **Creation of a stable policy environment:** This is critical for the success of community energy programmes. A long-term national community energy strategy with clear guidelines and stable funding supported should be developed. It should also be consistent with a framework for national, regional and local energy planning, including a commitment to fund and support Local Area Energy Planning (LEAPs) for each local area in England. These plans, made through consultation with relevant stakeholders including community energy groups and businesses, can then help ensure they are better designed and deliver better outcomes.
2. **Stable and consistent funding streams:** Create stable, consistent and long-term funding streams for councils and community energy that can develop and sustain community energy organisations and groups to develop capacity and deliver projects. Also focus on creating a stable energy market, with business opportunities and investable projects so community energy organisations can become more self-reliant and be able to attract further public, community and private investment in the long run.
3. **Streamline and Simplify Planning Processes:** Make it easier to get planning permissions for renewable energy infrastructure, including onshore wind, and ensure these are consistent. Remove any barriers to onshore wind and solar and ensure the Climate Change Act is prioritised in Planning Policy. Simplifying the process for community energy projects and making it easier

for these projects to sell their electricity locally, via private wire networks or microgrids, could also unlock many more projects and build public support.

4. **Enhance Technical Support and Training:** Provide training and technical support to community energy groups so they can build their own capacity. In addition provide guidance around business planning, project management and community engagement etc. to ensure community energy groups can deliver the best results.

Recommendations

In our submission we answer the following questions asked by the Department:

Q3. What are the barriers, financial and non-financial, preventing the establishment, development, and scaling of community energy projects? Please include any relevant quantitative and qualitative evidence.

Community energy projects can play a critical role in decarbonising the energy system by producing clean, low carbon energy in addition to other benefits such as promoting energy security, lowering energy costs, stimulating the local economy, getting communities engaged in the decarbonisation journey and ensuring they see the benefits of the transition including community owned energy assets. However, they face significant barriers -

Financial Barriers

- **Lack of long-term funding and subsidies:** There is lack of consistent funding for community energy projects in England which creates an uncertain policy and funding ecosystem that impacts the scalability and longevity of these projects. Inconsistency over national funding and strategy has damaged the development of community energy, for example the closure of the Urban Community Energy Fund in 2016 had a significant negative impact on the sector, and its replacement by the Rural Community Energy Fund, which itself was in turn closed in 2022, only added to funding confusion. While the current (now) national Community Energy Fund is a welcome step, it comes after that period of funding uncertainty.
- Community energy organisations and groups often face significant challenges, including upfront survey and planning costs, as well as when raising the necessary capital without supportive measures such as feed-in-tariffs and other such guarantees. There is also limited access to grants, loans and other financial mechanisms and many are reluctant to invest due to the perceived risks.
- **Economies of Scale:** Community energy projects often lack the economies of scale that larger commercial projects benefit from, making it harder to compete on cost and support local capacity, skills and supply chains.
- **Development of investable projects:** Community energy organisations and groups need support in the early project development phase to be

able to develop projects for investment and delivery. This can be challenging given limited long-term revenue support, limited revenue from local energy sales, lack of developed solutions like flexibility and limited tax relief etc. If they can create business models for bringing in community or private investment they need to showcase returns as well. They would need multi-year funding in the growth phase to set up self-sustaining businesses.

- **Funding from local authorities:** There are developing examples at a regional and local level where community energy investment has created an innovative eco-system. The Mayor of London has delivered over six rounds of community energy funding and many London boroughs are setting up community energy funding programmes using funding from the planning system. This mechanism can work well since local authorities do not need to follow the national funding cycle, know their place, needs and community organisations best and understand what projects will help the communities and the overall decarbonisation goals.

  However, often they lack the means and resources to build this work programme and nationally the picture is patchy. They would need funding to support local feasibility studies, financial modelling, planning and legal guidance, provide seed funding etc. to be able to support local community energy groups in their area. We would argue that councils at every level have the ambition to play a bigger role in community energy, but they need to be supported and empowered to do so, if we are to ensure community energy can achieve their full potential.

Regulatory Barriers

- **Complex Planning Processes:** Navigating the planning system can be complex and time-consuming, often deterring community organisations and groups from initiating projects. It can also lead to abortive costs if schemes are rejected at the planning application because of a misalignment with for example conservation or heritage considerations. We urgently need greater clarity in this area of policy from the Government as many of the community, cultural, education, public and faith buildings most in need of community energy based interventions are also listed buildings. Without action they risk being left out of retrofit, decarbonisation and energy measures because of planning and delivery risks, leading to high bills for the organisations that occupy them
- In addition, decarbonisation is still not a priority in planning policy which impacts community energy projects. While the National Policy Statement for renewable energy revised in November 2023 classified all renewable infrastructure as Critical National Priority and in favour of granting consent for these projects this is not reflected in the National Planning Policy Framework (NPPF). Community energy groups should be separately

recognised in planning law and not made to compete with private investment projects.

- Cutting red tape around renewables projects should permit local energy projects to retain energy for use locally, via private-wire arrangements or microgrids. This would enable the generator to get a better price for the generation than through export to the grid with a standard short-term PPA, while also delivering better value to consumers through reduced service charges.
- **Onshore wind energy generation:** While changes were made for planning for onshore wind in 2023, these are still insufficient to encourage small scale onshore wind energy projects. Community energy organisations and groups will be well placed to organise and develop these projects, taking the local communities on-board and ensuring they receive the benefits locally. We have already seen this in Bristol, where there is an excellent example of a community owned onshore scheme. However, without the necessary changes needed in the planning system, this remains a lost opportunity.
- **Grid Connection Issues:** Securing grid connections can be difficult due to capacity constraints, high costs, and lengthy wait times. The UK has the longest queue to connect to the electricity grid of any country in Europe. We need to invest in local area energy planning and the associated regional and national structures to speed up connections and the roll out of a smart grid.
- **Regulatory Uncertainty:** Frequent changes in government policies and incentives can create an unstable policy and funding environment, making it challenging for community projects to plan and secure funding.

Technical Barriers

- **Lack of Expertise:** Community organisations and groups may lack the technical knowledge required to develop, operate, and maintain renewable energy projects. This can include expertise in areas such as project management, engineering, and legal matters. This will be especially difficult for new groups that are trying to set up and require training and support. Groups coming together for joined-up working would also provide economies of scale, however the enabling factors need to be put in place for this to take place. Where investment has been consistent and sustained, such as in London, we can see a flourishing eco-system of community organisations and groups that are able to bid for funding and work with organisations to deliver award winning schemes.
- **Skills and Supply Chain:** It is also critical that the supply chain can deliver, which means a significant programme of work around skills and supply chain development around Net Zero so they can support the transition and projects do not struggle to find the right people and materials. Community energy projects can if delivered well unlock a local economic and social

dividend, including supporting local skills, jobs, apprenticeships and volunteer opportunities.

Social Barriers

- **Community Engagement:** Achieving community buy-in and participation can be critical for these projects. People may be resistant to change or unsure of the benefits of community organisations and projects. They need the right resources and strategy for effective engagement, but community energy unlike other energy projects has a real chance to be co-produced and owned with local communities, building consent and reducing opposition to renewable energy projects and infrastructure. UK100 launched a membership-wide survey on current and desired engagement practices. From 33 responses, representing 27 councils and evenly split between officers and elected politicians, we learned that 'challenges in engaging and mobilising community support' was one of the top 5 biggest barriers for councils delivering on Net Zero ambitions locally. 45% of respondents said 'Engaging and mobilising community support' was one of the biggest challenges in rolling out renewable energy projects after funding, challenges with the grid and staff capacity.
- **Limited participation:** More marginalised groups from the community may not get involved in community energy projects such as younger people, people from diverse communities and those seldom heard and so different strategies may be needed to bring in those from poorer communities and those traditionally excluded from discussions around climate action. Done well though, community energy projects have a real chance to bridge these divides, but only if they are supported to do so and if funding follows need and not just demand from existing community energy organisations and groups.

Policy-Related Barriers

- **De-prioritisation of community energy:** Government support for community energy has been inconsistent, with changes in policies and incentives creating uncertainty for project developers.
- **Lack of Long-Term Strategy:** The absence of a coherent long-term strategy for community energy at the national level can impact the growth of the sector.

Support for local authorities

- **Partners for community energy groups:** More than 80% of emissions are within the local government's influence and they can help support and build community energy organisations. However, with limited powers and funding they are unable to fully capitalise on these benefits.
- **Local Area Energy Plans (LAEPs):** Analysis shows Local Area Energy Plans (LAEP) could reduce costs by over two-thirds while almost doubling bill savings compared to one-size-fits-all national plans. Creation of LAEPs can help overall energy planning by identifying the right energy mix which can

support community energy groups with their project development. However, these do not have a formal place in energy planning at the moment. In the UK100 survey, around 68% of the respondents (elected leaders and officers) said including stakeholder engagement processes within a Local Area Energy Plan framework to be most useful for them.

Q5. Are there any regional issues impeding community energy projects? Please include any relevant quantitative and qualitative evidence.

Community energy projects can face distinct challenges in rural and urban areas due to differences in population density, infrastructure, socio-economic factors, and available resources. In rural areas, grid connectivity and capacity issues, difficulties in raising capital, lack of technical expertise, and lower levels of local support can impede project development. In urban areas projects are hampered by limited space for installations, stringent planning regulations, socio-economic diversity, and lower community cohesion. As we have already noted there is also a regional disparity in the policy, funding and planning environments needed to support the growth of community energy. Without preventing innovation, the national government has a role in creating a more equitable environment to ensure that community energy can flourish in all parts of the country.

Q6. Where you have identified possible or actual barriers, do you have any proposals for how these might be reduced or removed, and why do you think the actions you propose would be effective and appropriate? Please include any relevant quantitative and qualitative evidence.

Financial Barriers

- **Create Dedicated Funding Streams:** The funding picture could be fixed by establishing national and local funding programs, such as grants, low-interest loans, and green bonds specifically for community energy projects. This can help set-up community energy groups, increase capacity, support feasibility studies and initiate projects. There should also be funding for innovative project pilots to test new solutions that can then be scaled up. In addition, the available funding needs to be easier to access with low entry barriers, and fewer short term competitive pots and where possible collated under one fund that can be used to develop and deliver projects. It is good to see organisations like UK Power Networks and other DSOs investing to grow community energy groups to support and ensure local people to receive the benefits from the transition to Net Zero.
- **Funding for local councils and community energy umbrella bodies:** The community energy sector is still emerging, with differences in capacity, infrastructure and support across the country. The most established and developed community energy ecosystems, often align with places where regional or local government has been able to offer sustained support for the development of organisations and groups. This has often taken the

form of direct support, organisational, feasibility or incubation funding and relies on councils investing in this work either through dedicated officers or grants. A sustained and successful roll out of community energy should look at direct investments in local councils and combined authorities to allow them to take on this local coordination role. National and regional organisations like Community Energy England, the Net Zero Hubs and Ashden and their local equivalents should also be supported to ensure knowledge sharing and technical expertise is available.

- **Develop the right set of incentives to build the market:** Incentives like feed-in-tariffs helped provide certainty of returns, which becomes critical for project development and business plans. Such incentives should be brought back including the ability to sell electricity generated to the local consumers. Solutions like A Community and Smaller-scale Electricity Export Guarantee Scheme to provide guaranteed income so communities can receive adequate remuneration. Licensed suppliers should be encouraged to support community energy groups or sources a proportion of their energy from these groups to secure demand.
- **Promote Innovative Financing Models:** Develop and promote the use of community shares, crowdfunding, cooperative models and community energy generated trading schemes to raise capital from a broad base of community members. This will enable wider community participation and investment. It will help enhance community ownership and support for projects. There is also a need to build financing solutions for the able-to-pay markets as well so they can get the necessary advice and solutions catering to their needs.
- **Investable Business Plans:** If these projects are to be increased they need the support to create investable projects and business plans. In addition, if they partner with local authorities who are trusted not just by the communities but by businesses and financial institutions as well, they can develop stronger plans. However, local authorities need the support to develop and grow these groups and projects. And community energy groups need support to create investable business plans and the necessary supportive structures like feed-in-tariffs that can give communities and investors a return.
- **Bulk procurements:** If bulk purchasing of materials such as for solar PV can be done through alliances with businesses, local authorities and other organisations this could support community energy groups as well, particularly for smaller projects.

Regulatory Barriers

- **Streamline and Simplify Planning Processes:** Make it easier to get planning permissions and ensure these are consistent. These can reduce delays and make it easier for community groups to navigate the planning system. Set up consistent guidelines and make it easier for undertaking retrofit programmes for heritage buildings. It is estimated that community

energy groups could produce enough solar energy to power around 350,000 homes in London with the necessary funding and removal of planning barriers.

- **Prioritise Climate Change Act in Planning Policy:** Embed a requirement for local planning authorities to prioritise The Climate Change Act in Planning Policy over developer viability and remove competition between climate mitigation and adaptation criteria and other "planning contributions." Ensure all Planning Inspectors fully understand the priority placed on climate change and apply it in their inspection decisions
- **Facilitate Grid Connections:** This is critical for the sector to grow, also explore decentralised generation and how this can support local communities and be viable. The current situation around private wire connections and the selling of community energy locally, still hinders the development of the sector and we continue to support many of the objectives of the recent cross-party Local Electricity Bill to reform this situation.

Technical Barriers

- **Enhance Technical Support and Training:** Provide training and technical support to community energy groups so they can build their own capacity, develop and run programmes with local communities. This would involve technical knowledge, business planning, project planning and management as well as community engagement strategies. This will empower them to co-create and develop successful projects.
- **Develop Knowledge Sharing Platforms:** Providing community energy groups with the necessary tools and guidance means they do not have to reinvent the wheel and can make use of existing sector expertise. These should be created as a central repository and be made available to them focussing on practical aspects of project development and implementation. In addition, these groups can learn from each other and such forums, events, and knowledge sharing platforms should be created so best practice examples can be easily replicated.

Policy-Related Barriers

- **Establish a Stable Policy Framework:** Long-term certainty is vital, as businesses, talent, and public services hesitate to invest or commit without assurance of stable regulatory and policy landscapes. To support this, develop a long-term national community energy strategy with clear guidelines and stable funding supported by relevant capacity building measures and extended budget certainty. This should be supported by a national campaign for community energy projects that can help create legitimacy and build support. The favourable policies in Denmark resulted in the development of wind cooperatives that were investing in community-owned turbines. They considered these as profitable

investments and this grew to include 100,000 families by 2001 accounting for 86% of all installed turbines.

Social Barriers

- **Increase Community Engagement and Participation:** Local community engagement is key for the success of these programmes. The groups and organisations should be given the necessary training and frameworks to be able to enhance community engagement and address misinformation campaigns that may arise, including sharing existing best practice which could be done through directly supporting organisations like Community Energy England. This can build trust among the community and lead to stronger support and better participation.
- **Promote collaboration among relevant stakeholders:** Partnerships between community energy groups, local authorities, businesses and other community groups can be beneficial for project success. These should be encouraged and built up. Environmental, Social, and Governance (ESG) goals can be a useful opportunity to collaborate between businesses and community energy groups to deliver.

Support Local Government Initiatives

- Empower local authorities to support community energy projects through grants, technical assistance, and streamlined local planning processes. Provide them the necessary resources, training and guidance to develop and support local community energy groups.
- Support local authorities with community engagement since they are a trusted stakeholder and with effective community engagement strategies support these groups as well. There can be local opposition, real or perceived, to renewable energy schemes, just as there can be to other forms of development. Good community engagement in forming local plans or neighbourhood plans can address this.
- **Local Area Energy Plans:** Led by local authorities, LAEP brings together local stakeholders, such as Community Energy Groups, residents and businesses, and collates local knowledge to propose a credible decarbonisation pathway for the area. A national framework for LAEPs should be put in place giving a strategic role and more powers to local and regional authorities to develop a balanced energy system which combines a mix of large scale power generation, local decentralised energy systems and demand management. This can then support community energy groups to plan more effectively.

Q7. Which existing or past government support mechanisms and policies have been most helpful in implementing community energy projects and why? Please include any relevant quantitative and qualitative evidence.

Q8. Could you share any evidence, either quantitative or qualitative, demonstrating how community energy projects are supporting the delivery of the UK's national net zero targets and providing additional benefits (e.g., reducing fuel poverty and improving community well-being).

Q9. Could you share any evidence, either quantitative or qualitative, of the wider system impacts (positive and negative) of community energy schemes and how any negative impacts can be mitigated.

While some past government schemes have helped to set-up and grow community energy groups, the sector as a whole has not received the right funding, resources, long-term certainty and regulatory support to be able to deliver as per its potential.

If supported in the right way these community energy groups and organisations can provide various advantages including:

- Local wealth-building
- Local employment and skills
- Better engagement with and support from residents (by being locally owned and led)
- Reduced energy bills for local community organisations
- Often not-for-profit, with any return or dividend being returned to the community.

There do exist some good case studies, especially at a local authority level, which if supported by the measures highlighted in Q6 can expand the scale of benefits to local communities and Net Zero goals. Some of these include -

- Some community energy groups have collaboration agreements with their local authorities that recognise them as their delivery partners which helps efficient delivery without going into a tendering process to save transaction costs. Some examples are groups like Bath and West Community Energy (BWCE) and Plymouth Energy Community (PEC).
- This report from the Greater London Authority showcases how carbon offset funds accumulated to £145 million between 2016-21 and were ring-fenced for carbon reduction projects. Such mechanisms can be used to build up community energy groups and projects that can then become self-sustaining and serve the community.
- Some local authorities have started to partner with local community energy organisations providing retrofit advice, such as Devon County Council. Supporting this group of householders to become aware of the potential of ECO+ and providing confidence in the scheme will require

authorities to commit to major new initiatives in partnership with other local and regional organisations.

- The Hackney Community Energy Fund supports public institutions and not-for-profit organisations to work with community energy groups to to improve the energy efficiency of publicly-used buildings.
- The Bristol City Leap Community Energy Fund is supportive for community energy groups that are new and haven't delivered in the past, provides funding for building staff capacity and also projects that deliver for the local community.
- Energise Barnsley is a community-owned energy company working across the Barnsley area. Working closely with Barnsley Council, it aims to achieve low-carbon solutions owned by the community. Barnsley is an area that was once heavily reliant on coal mining; it's now transitioning to a more modern, greener economy and this project focuses on the installation of energy-saving gadgets and a community bond.
- Programs like the Rural Community Energy Fund (RCEF) have shown that targeted financial support can make projects viable.
- Project LEO in Oxfordshire is the The £40 million project is a partnership across the local authorities, Low Carbon Hub, DNO, universities and businesses to trial a number of different technical, market and system approaches to developing a smart local electricity system. Many of their trials are focussed on ensuring communities are engaged and receive the benefits of a just transition. One of their focus areas is making community energy systems smarter and more flexible.

We would be grateful if in addition to considering UK100's response to the consultation, if you would agree to meet us with our member local authorities, especially those working to deliver community energy to discuss the themes within this consultation and our response further.