The Guardian roundtable in association with Co-operative Energy

Power to the people

Community-owned projects could play a major role in the UK's renewable energy strategy, but they are being thwarted by a lack of investment and imagination. **Jessica Aldred** reports as experts debate what can be done

Rising energy bills, security of supply, fuel poverty and the need to reduce carbon emissions are among the biggest issues facing the UK. Communities that generate their own energy using renewable technologies can form a big part of the solution, bridging the gap between high-level international climate talks and smaller actions taken at an individual level.

Such projects can also provide huge social benefits, bringing people together and providing an opportunity for local ownership and investment. But the sector remains a long way from fulfilling its potential.

To discuss how this situation might be improved, the Guardian, in association with Co-operative Energy, brought together community energy groups, government, NGOs and developers at a roundtable event in London. The discussion was held under the Chatham House rule, by which quotes are published without attribution to encourage open debate.

Demand for local renewable energy is certainly there: hundreds of community groups in the UK have expressed an interest in generating their own energy and many have already begun. Urban or rural projects range from solar panels, wind turbines and hydropower installations to renewable heat sources, such as solar hot water, heat pumps and biomass.

There is no official target, but optimistic estimates predict up to 20% of UK renewable energy generation could come from community-owned projects by 2020. Capacity has grown from four megawatts (MW) in 2003 to nearly 60MW today, but this still represents less than 1% – and the UK trails far behind Germany, where there are more than 600 energy cooperatives and an estimated 15% of renewable electricity generation is owned by local communities. In Denmark, about 86% of wind-energy generation is locally owned.

Less than 1% of renewable energy generation in the UK comes from community-owned projects, compared with 15% in Germany Photograph: Adrian Dennis/Getty Images

Finance gap

When the roundtable participants were asked to name the biggest obstacle to the growth of community energy in the UK, almost all mentioned access to finance. It was the collective experience that banks are no longer lending money on a long-term basis or in amounts less than £30m, even though many larger renewable projects require investment over at least 10-15 years to be profitable.

It emerged that pension funds have started to step into this finance gap, recognising renewable energy as an attractive alternative investment. But this is something many participants had to work out for themselves. "It's a very good match: we have a long-term, effectively government-underwritten investment income stream and [pension funds] want to lend us long-term money," one contributor said.

Questions were raised about why community energy projects could not be funded by the Green Investment Bank (GIB). In its first year of operation, the GIB has made offshore wind, waste and energy efficiency its priorities, and invested a minimum £100m in a single project – well above the scale of a typical community energy project.

There was a consensus that scaleable funding mechanisms were needed depending on the size or nature of a project – from small school turbines to larger schemes. Such models could allow people in the community to invest "anything from £5 to £100,000". Crowd-sourcing of debt finance was mentioned as another potential opportunity.

Many agreed that the perception of risk was the biggest barrier to finance, with some suggesting that this should be underwritten by the state or that more could be done to alleviate this at the pre-planning stage.

One participant raised the prospect of joint ventures between the public and private sectors, which could greatly increase community capacity from today's levels: "This model could address supply-side cost and planning, and minimise the risk," they said. However, concerns were raised that outside money would come at the expense of local investment. "If we want local support, there has to be local benefit – regardless of the ownership."

A lack of investment professionals trained in renewable energy was also a problem, the group agreed.

"To get the finance community to see the money flows that are desperately needed in this area we need to have more trained bankers. To do this, you have to create a market and invite major players to come in and invest. Unfortunately, there's no market at the moment to warrant employing staff. So it has got to have a central-government function."

Interaction with different tiers of government provoked a heated debate. "We are having such a hard time engaging with local authorities," complained one participant. But many were aware that many councils have been hamstrung by cuts. "If they have a 25% hole in the next five years of revenue, why couldn't they fill it with developing renewable energy projects funded from the outside?" it was asked.

Participants suggested more education was needed at local level, with one calling for the Department for Communities and Local Government to take more responsibility for delivering the renewable energy agenda, and another saying local authorities should have a legal obligation to install renewables on public sector facilities.

It was thought that the broader political agenda was also affecting investor confidence and that a strong voice in government was needed. Many were waiting for the results of the government's community energy strategy, which will be published this autumn.

Despite policies such as the feed-in tariff and renewable-heat incentive – and the government's statement that community schemes are "vital to our vision of the development of energy in the UK" – it was felt that the attitude remained "grudging", and "like growing organic vegetables; nice to have and something we should do".

Many agreed with one participant's criticism that community energy groups didn't "do" politics well. "Community energy is a clear winner – on the right and the left – but we have haven't organised around the politicians."

There was much criticism of the "utterly dysfunctional planning system", with complaints that a worst-case-scenario approach prevented projects from reaching consent, and a call for a quota system. "The only reason we have solar to any particular scale is because so much of it is actually outside the scope of the planning system," said one participant.

Talk turned to the energy grid, which was criticised as being too centralised, as reactive not proactive, and lacking coordination or long-term planning. "Grid policy is about as luddite as it could be," said one participant.

"There is a requirement that we give priority access to the grid for renewables, but the UK has interpreted that in the most minimalist way."

Game changer

Current regulations don't allow community energy projects to sell electricity back to the grid or to its members. "This would be a real game changer, not least because it sends a signal and addresses the price."

One participant warned: "Nothing I have seen coming from the government has made the connection between our renewables aspirations and the grid infrastructure required to deliver that. If you don't put those two things together, then what you end up with is very piecemeal development." They went on to suggest that the GIB could fund such a costly task.

Others called for an energy regulator that improves competition, an integrated grid and planning system, or a mandate that existing electricity companies support new market entrants.

"Fundamentally, we have still got a system designed for big, vertically integrated utilities, which community energy is trying to get around," said one participant.

Many agreed there would be no growth in community energy at the same scale as other countries as long as the monopoly of the big six energy companies continued. "The obstacles to people who are outside this energy fraternity are almost insurmountable," said one contributor.

As the discussion drew to a close, there was big support for the idea of a portal to match developers to community projects. Using standardised documentation, this would crystallise supply and demand, and pool proven data that could dramatically reduce planning costs and provide recognition for progressive private-sector suppliers.

"How could a local authority then not engage with that process and turn down applications?" one participant asked.

At the table

Damian Carrington (Chair)
Head of Environment, Guardian News & Media

Ramsey Dunning
Group general manager, Co-operative Energy

Maria Allen
Special adviser to The Rt Hon Greg Barker MP and Baroness Verma, DECC

Bruce Davis
Managing director, Abundance

Dr Doug Parr
Chief scientist and policy director, Greenpeace

Michael Stein
Founder and business development director, Trillion Fund

Andrew Clarke
Director, resilient energy, Great Dunkilns plc

Felix Wright
Policy and innovation manager, Community Energy Scotland

Mike Smyth
Chair, Energy4all

Chris Matthews
Senior manager, Renewable Energy and Asset Finance Department, Co-operative Bank

Ian Bright
Managing director, TRESOC

Philip Blond
Director, ResPublica

Chris Herries
Chair, Co-operatives UK

Dr Jonathan Scurlock
Chief Adviser, Renewable Energy and Climate Change, NFU

Phillip Wolfe
Chair, Westmill Solar

Robert Rabinowitz
CEO, Carbon Leapfrog

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'To get local support, there has to be local benefit – regardless of the ownership'

The co-operative energy

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