



CO-OPERATIVES UK

Community ownership: the best form of community benefit

Discussion paper, November 2012

The Department for Energy and Climate Change is currently consulting on 'community engagement and benefits' for onshore wind. This short paper argues that the best form of community benefit is to offer communities the opportunity to own part of a wind energy development, and puts forward a recommendation for how this could be achieved.

Why community ownership?

Our research has shown that community ownership helps the UK to meet its stated energy goals, as well as social and community goals, as follows:

- **Linking supply and demand:** In addition to generating renewable energy, there is evidence to show that community-owned schemes build awareness of climate change and develop 'energy literacy'.¹ In other words, they help to make the connection between energy supply and energy demand. Many community-owned schemes, such as Baywind in Cumbria, channel revenues into energy efficiency schemes for local residents. Others invest in local microgeneration schemes.
- **Involving all sectors of a community:** Community ownership of renewables does not just benefit those who can afford to invest in a scheme. Most energy co-operatives include support to the local community (one of the seven core co-operative principles as defined by the International Co-operative Alliance), with a proportion of revenues supporting local community ventures. There is a range of ways this can be done, which go beyond community benefit payments. For example, community organisations can be given free shares in the co-operative to provide a revenue stream for the local area.
- **A more diverse energy mix:** The government has repeatedly stressed that it would like a more diverse range of organisations involved in energy generation. Ofgem is currently looking into ways of boosting 'liquidity' in energy markets, in other words, improving markets through bringing new players in. Community ownership is one such way of increasing diversity in energy generation.
- **A new source of finance:** The experience of Energy4All and other existing community ownership schemes shows that finance from individuals, local organisations and social finance institutions are

¹ See, for example, *Seeing the light: the impact of micro-generation on the way we use energy*, Sustainable Consumption Round Table, October 2005

important sources of income for energy investment. Individuals invest in community-owned energy as an alternative to savings, bonds or pensions. There is considerable scope for expansion of these income sources, which would bring new money into the energy sector.

- **Better acceptance of wind power:** Research shows that communities and planning authorities are likely to be more supportive of wind power locally if a proportion is in community ownership. Academic studies carried out in Scotland and Germany² demonstrated a significant difference in support for wind energy in areas with community-owned (as opposed to commercially-owned) generation. Community Energy Scotland has a 100% planning approval rate for schemes which include community ownership.
- **Best mix of skills:** Co-operation between community groups and commercial wind energy developers brings all the skills and contacts necessary for a successful project. The developer has access to technology and finance knowledge which communities find it hard to access alone; communities have local knowledge and engagement which developers need.

Why go beyond community benefit payments?

Countries with a high degree of community ownership and engagement in renewable energy do not tend to use systems of community benefit payments. This is because the community benefit is intrinsic to the project. It is clear to all that the project will benefit the local area, through providing jobs, and bringing in income through taxation and revenues to local owners.³ So there is no need for a separate payment. From this perspective, community benefit payments are a symptom of the wider problem: that communities are not benefiting from renewables developments in the broad sense, so they have to be compensated through a specific payment.

The World Wind Energy Association has drawn up a definition of 'Community Power' which makes clear that the vital ingredient is ownership, as well as benefit. Their definition is as follows:

A project can be defined as Community Power if at least two of the following three criteria are fulfilled:

1. Local stakeholders own the majority or all of a project

A local individual or a group of local stakeholders, whether they are

² Germany:

http://wwindea.org/home/images/stories/pdfs/summary_local_acceptance_of_renewable_ergy_musall_kuik.pdf

Scotland:

<http://www.embarc.com.au/download/attachments/2889510/Warren+-+Does+Community+Ownership+Affect+Public+++++Attitudes.pdf>

³ This issue is discussed in the Centre for Sustainable Energy's 2005 report for the DTI <http://www.cse.org.uk/pdf/pub1049.pdf>

farmers, co-operatives, independent power producers, financial institutions, municipalities, schools, etc., own, immediately or eventually, the majority or all of a project.

2. Voting control rests with the community-based organisation:

The community-based organisation made up of local stakeholders has the majority of the voting rights concerning the decisions taken on the project.

3. The majority of social and economic benefits are distributed locally:

The major part or all of the social and economic benefits are returned to the local community.

By this definition, community benefit models are insufficient. A standard community benefit package meets none of these three criteria.

Examples of community ownership in partnership with commercial developers

There are already a number of partnerships between commercial developers and communities:

- Falck Renewables has developed four separate schemes in partnership with Energy4All. In total, 2500 investors have contributed £5 million to the schemes.
- Infinergy are in partnership with TRESOC (Totnes Renewable Energy Society) to develop Totnes Community Wind Farm, and with Baywind Energy Co-operative to repower the Baywind scheme. Both are at planning application stage.
- The Neilston Community Wind Farm, currently under construction near Glasgow, is jointly owned by Carbon Free Developments Ltd and the Neilston Development Trust, a local charity and social enterprise.

However, there are no examples of partnerships between the 'big six' energy companies and community owners. Energy4All have had negotiations with a number of the 'big six', but no projects have been forthcoming. This compares unfavourably with other countries, notably Germany and Denmark. In Denmark, a quarter of all onshore wind capacity is community-owned, often in partnership with commercial developers.

A proposed solution

It would be possible to legislate to require wind developers to offer a proportion of local ownership. A law introduced in 2009 in Denmark mandates an 'option to purchase' scheme. Under this scheme, developers of wind turbines with a height of at least 25 metres (including offshore turbines) are required to offer for sale at least 20% of the project to people living within

4.5km of the site. There are strict conditions governing how this offer is made.⁴

We believe that there should be a similar requirement for local ownership in the UK. However, rather than immediate legislation, we would suggest the following approach:

- The government should make clear that it expects commercial developers to offer ownership options to local communities.
- It should offer a voluntary approach to begin with. Developers would be given a certain amount of time, say three years, to experiment with different approaches to community ownership. This would allow innovative partnerships between communities and commercial interests to emerge.
- DECC should consider offering preferential rates through Feed-in Tariffs (or the new Contracts for Difference for projects above 5MW) for projects with a significant proportion of community ownership
- If, after five years, there has not been sufficient progress, then legislative solutions would be proposed.
- DECC could host a Summit to bring together the main renewable energy developers with community representatives, to look at possible models.

Wider issues

There are other factors that need to be considered in order to promote community ownership of energy assets, including more certainty in the planning and licensing process; better financing options; and grid connection. These are discussed in detail in the [Manifesto for a Community Energy Revolution](#), published by the Co-operative Group and Co-operatives UK as part of the Community Energy Coalition.⁵ A particular immediate concern is the Electricity Market Reform process, which may well further disadvantage community-owned schemes, and independent generators. [A research report commissioned by Co-operatives UK and written by Cornwall Energy](#) looks in detail at this issue.⁶

Partnerships with commercial renewables companies are only one route to community ownership. Many communities, such as the case studies reviewed in [a 2011 report for Co-operatives UK](#)⁷, develop, own and manage projects by themselves, for themselves. Both options should be available to communities.

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⁴ See this official summary of Danish wind energy policy for further details
<http://www.ens.dk/en-US/supply/Renewable-energy/WindPower/Documents/Vindturbines%20in%20DK%20eng.pdf>

⁵ <http://www.uk.coop/energymanifesto>

⁶ <http://www.uk.coop/energybill-impact>

⁷ <http://www.uk.coop/renewable>