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Tom Greatrex: I beg to move amendment 42, in clause 6, page 5, line 4, at end insert—

‘ () Regulations must—

(a) place a duty on the Secretary of State and the Authority to promote new generation capacity from community energy schemes; and

(b) define community energy schemes.’.

The Chair: With this it will be convenient to discuss amendment 43, in clause 6, page 5, line 4, at end insert—

‘ () Section 41(4)(a) Energy Act 2008 (“specified maximum capacity”) is amended as follows—

“Specified maximum capacity” means the capacity specified by the Secretary of State by order, which must not exceed 10 megawatts.’.

Tom Greatrex: I am pleased to have the opportunity to speak to these amendments tabled by me and my hon. Friend the Member for Liverpool, Wavertree on community energy schemes. The Minister will know that we touched on that during the evidence session, and particularly with the Secretary of State who, with some assistance from his ministerial colleague, made clear the imminence of the community energy strategy, which I think will be in March. I tabled the amendments to raise some issues relating to community energy on which I want to stimulate discussion and to obtain clarity about the Government’s intention, notwithstanding that soon-to-be-published strategy.

Community energy schemes have a number of benefits, particularly given that the Government have stated several times their intention to bring diversity, resilience and security to the energy market. Community energy schemes can play a significant part in that. They can also make a sound economic contribution through attracting investment from new sources and, importantly, through locally owned strategies for generating and saving energy, help to address some of the issues of fuel poverty and greater engagement among communities in generation and conservation of energy. I am sure that members of the Committee are aware of a number of examples in their constituencies that demonstrate that on a relatively small scale. They can also promote wider carbon reduction in terms of recycling revenues into local energy efficiency schemes. Again, there are a number of examples.

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The Minister is aware that Co-operatives UK has estimated that there is a huge potential for community and co-operatively owned energy in the UK. I think they estimated nearly 3.5 GW, broken down into 2 GW in England, 1 GW in Scotland and about 0.5 GW in Wales. These are significant amounts which it equates to three or four conventional power stations.

However, as this Bill stands, there is little in relation to community energy. It is one of the areas that would benefit from some amendments and that is the point of these amendments today. As I reminded the Secretary of State when he gave evidence at the start of this Committee process, he has previously said that he wants a community energy revolution. While I am not always a revolutionary, I agree that the potential for a significant increase in community energy is an opportunity that should be encouraged by Government and can be done in part through this Bill.

For many involved in community energy, the real concern is their ability to participate in CFDs. We heard this from Nigel Cornwall, the consultant from Cornwall Energy Associates, who gave evidence. Members will recall that he was on the same panel as a couple of academics and he was not always able to make as full a contribution as others during that session. Therefore he made his points concisely and promised to provide further written evidence to Committee members. He made the point that the high degree of technical knowledge that it is anticipated will be required to participate in CFDs may well act as a barrier to smaller generators and that they also receive lower market prices for their power. This is not compensated through the proposed CFD, as envisaged in the Bill.

So with the end of the RO, suppliers will have no incentive to purchase renewable energy from independent generators. Those were the views expressed by Cornwall Energy. In response to a question from my hon. Friend the Member for Liverpool, Wavertree, Mr Cornwall called this,

“a black hole in the Bill with regard to market access, particularly its impact on smaller players, generators and suppliers”—[*Official Report, Energy Public Bill Committee*, 15 January 2013; c. 79.]

Therefore, our amendment 42 is designed to increase the feed-in tariff threshold from 5 MW to 10 MW, to help to address this issue. I put these points to the Secretary of State when he was giving evidence at the start of this process. He indicated that either this was not an issue or there were much more significant issues than this threshold; and that it does not really affect community energy schemes because these are under 5 MW. This is not necessarily the case and I am sure that the Minister and his colleague would like to be aware—if they are not already—of at least two examples above 5 MW: the Westmill wind farm in Oxfordshire, which is 6.5 MW and is a community-owned scheme, and the Lochcarnan wind farm in South Uist in the Western Isles, a 7 MW scheme, where the income is invested in the local community.

Those projects show that, under the existing renewables obligation scheme, community ownership at a significant scale is achievable. Members of the Committee will be aware that that can be done if the projects have access to markets and finance. In Denmark and Germany, co-operative ownership of renewables is much more widespread, as it is in the US. However, in the UK,

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co-operatives and community schemes and independent commercial developers find it harder to access finance than schemes backed by large utilities. That makes development costs higher, returns lower and puts communities and other small developers at a significant disadvantage.

It is anticipated that the complexity of the CFD proposals, with the lack of the demand pull-through that was provided by the renewables obligation, will further worsen the situation for co-operatives and community schemes, compared with larger, commercial schemes. The Government continue to assume that community means small-scale, despite the evidence that I have cited. However, if Ministers do not consider the interests of communities, I am afraid that their assumption is likely to become a self-fulfilling prophecy.

We suggest increasing the threshold from 5 MW to 10 MW, in line with the Energy and Climate Change Committee's discussions on this issue, with which many Committee members will be familiar. At a later stage, others may seek to increase the threshold further and bring in other aspects. However, we see merit in being consistent with the Select Committee's view. We challenge the assumption that community energy is necessarily small scale. A number of organisations believe that, with a higher FIT, the scope could be increased.

I have heard the Minister say on a number of occasions that he wishes to see more diversity in our energy supply market. We do not disagree, and that is the purpose of these amendments. Amendments 42 and 43 would require the statutory authority and the Government to support community energy and to give a definition of community energy. I am sure that the Government will consider doing that with their strategy. However, for the

strategy to be effective, there is a sound argument that increasing the scope from 5 MW to 10 MW will ensure that what I anticipate will be in the strategy is achievable.

The Chair: Does any Back Bencher wish to speak? Apparently not. I call one of the Ministers.

Mr Hayes *rose*—

The Minister of State, Department of Energy and Climate Change (Gregory Barker): It is me. We are joined at the hip; neither of us can stand up without the other moving. This is the first time that I have risen. It is a pleasure to be properly in harness in the Committee and to serve under your chairmanship, Mr Bayley. I am glad to have the chance to speak on community energy, the feed-in tariff scheme and the benefits of encouraging a more distributed energy economy.

I find myself in a great deal of agreement with the hon. Member for Rutherglen and Hamilton West. He spoke of the benefits of bringing diversity, security and resilience from greater community and distributed energy, and I wholeheartedly agree. There are also very sound economic reasons for this measure, as well as the engagement that it brings, as he said. Often, communities are brought in to the energy sector because they want to generate energy from one technology, but once they have found a route in, they discover that there are many other opportunities to engage, whether on energy efficiency or with other technologies. That is extremely welcome, and I have seen very real examples.

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That is why the coalition has made community energy such a high priority. In the Department of Energy and Climate Change, we have given real resource to this issue and made it a policy priority in a way that it has never been before. The fact is that communities can ignite a passion for energy issues and can act as a focus for different strands of the sector to come together.

As a result of the changes that we have made, DECC now ensures that communities have a voice right across our portfolio. In fact, DECC has commissioned the Centre for Sustainable Energy to produce an interactive green deal pack specifically for community organisations on how, for example, communities can engage with the green deal.

DECC is taking work forward with Ofgem to encourage a more diverse energy market and the plurality that we all seek, and is taking backstop powers on liquidity and so on to boost transparency in competition should actions not prove adequate. Smaller independent renewables companies should benefit from improved competition in the power purchase agreement market once CFDs are available. We are working with the market to smooth the transition to the CFD regime. However, reflecting the importance of independent generators, we are taking powers in the Bill to enable the Government to intervene in the event that the PPA market does not develop as expected. We also have a number of trial projects on community energy systems, using Ofgem's low-carbon network funds.

In July 2012, we explained how we would support community energy generation within the FIT scheme, and we have already defined community energy installations in the FITs order. FITs community energy projects, such as wind farms or hydropower, now benefit from tariff guarantees, which allow communities, particularly when they are endeavouring to put together a larger project, to have certainty about the tariff that they will receive once their installation is up and running. I have to say that the tariff guarantee was a welcome addition to the FITs regime that came in as part of our reforms of the system.

For PV community projects, we have introduced an exemption from the energy efficiency requirements for schools, further education colleges and non-domestic buildings, to ensure that such community buildings can benefit from the installation of solar PV at the heart of their communities. We are very aware that these community buildings can often have a powerful, iconic impact on spreading the engagement message around the energy sector.

We have actively supported community energy projects with real money taken out of the DECC budget. For example, last year, we allocated £10 million to the successful local energy action framework programme that was disbursed among several hundred local groups, helping them to get off the ground with their plans to develop a local energy project. That was much-needed seed capital. When I met those groups at a networking event that we held in London, I was struck by the extraordinary enthusiasm and success that they have had in starting with one project but then snowballing into a range of others. I do not underestimate the power of community engagement.

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Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): I thank the Minister for kindly giving way. He made a very articulate point that I heard for myself when last week I visited a project in Brixton called Repowering South London. I heard from the people there that they are looking to grow the scheme. Does he acknowledge the fact that, although many projects are currently under the 5 MW barrier and only some of them are at or above it, many of them could go above that level?

Gregory Barker: Indeed, and I will come on to that point, but we would have to go some way to find a community project in Brixton that went beyond 5 MW. We have to bear in mind the scale of 5 MW projects, but we will come on to that.

Another example of DECC putting its money where its mouth is and investing in community energy schemes is the £5 million that we have given to Cheaper Energy Together—a special scheme to help communities to finance innovative collective switching and purchasing schemes.

To summarise, the coalition Government have been active as no Government have before in not only inspiring but driving and investing in community energy. We are absolutely committed, not just in our words but in our deeds, to the community element of the whole energy agenda.

4.30 pm

With the help of the community energy contact group, which I established very soon after coming into the Department, we will launch our community energy strategy shortly. A great deal of work has gone into that strategy, not only within the Department but more broadly. Work has been undertaken by community energy groups themselves and we have had fantastic engagement, largely from voluntary sector personnel—people who have given up their own time to participate in this project. They have given their expertise and shared their experience, which really will help others looking to replicate that expertise and experience. When we publish that community energy strategy in the spring, it will set out our future ambition for community energy.

The publication of the community energy strategy will be the appropriate opportunity to land and secure the Government's ambition for community energy. Rather than being a footnote to the Bill, it needs to stand alone. We do not think it is necessary for there to be another piece of legislation, but the strategy needs rigorous policy and a clear statement of intent. That is what we will publish, and what we expect to be held to account for in our delivery.

Although no Government have been more proactive in their support or enthusiasm for community energy than we have, we do not consider—on balance and on reflection—that amendment 42 is necessary. I hope that, having quite rightly raised this issue during consideration of our energy economy, the hon. Gentleman will consider withdrawing the amendment.

Regarding amendment 43 and the point that the hon. Member for Liverpool, Wavertree made about the feed-in tariff scheme, it is a matter of public record that I myself supported the expansion of the FITs scheme at the Conservative party conference last year. I think there was significant merit in my doing so. However,

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this is a coalition Government and this is also an issue that cannot be rushed into, because there would be significant consequences to doing that and they need to be thought through carefully.

Nevertheless, the fact that the hon. Gentleman has tabled this amendment, which seeks to raise a threshold, should be seen as a significant vote of confidence in the reforms that we have made to the FITs system, because as a result of our reforms we have now created a far more transparent, agile and reliable support system for smaller-scale renewables, which marries the best learning from Germany with the insights from our own local home-grown renewables sector. I am very pleased with the way that we have been able to work with the renewables industry to complete these reforms, which were not easy and required difficult decisions to be made.

I have to say that the future looks increasingly positive for small-scale low-carbon generation, and I am very proud of the way in which we now have a mature debate about the future of this sector. Without appearing to single out one technology, I was particularly pleased last week to launch the national solar centre. The solar industry, which has been through a challenging time as a result of the need to reform the FITs system, now looks set to enjoy a period of strong, sustainable growth in the UK.

We have just completed the last batch of changes to the FITs scheme and we want to continue to use the productive relationship that we have fostered with the sector to ensure that we maintain the optimum support mechanism for smaller-scale renewable power as we introduce the reforms set out in this Bill.

As we enter a new stage for the electricity market, we need to make the most of the established systems that support a great many renewable generators. At the same time, we appreciate that support for low-carbon generation is changing and we need to ensure that we can continue to provide the optimum framework to guarantee that growth. We need to see out to 2020 and beyond.

We should also remember that the renewables obligation will continue to be available alongside the CFD to support new generation from renewables greater than 5 MW right up until 2017. Alongside the introduction of CFDs, we need to bear in mind that increasing the FITs threshold beyond 5 MW would move the small-scale FITs scheme into a different market, covering installations of considerable scale and complexity. That is not necessarily a bad thing and potentially could be very good, but we need to do it—were we to do it—with our eyes open to the wider potential impacts on consumer bills, the tariff scheme and the levy control framework. A 5 MW solar PV installation, for example, is roughly the size of five football pitches and would, at current prices, generate subsidies of hundreds of thousands of pounds a year. Obviously, as with any subsidy taken from across the energy sector, that is taken only from consumer bills. We need to be careful in looking at the proposal, so that we consider the possibility of any change thoughtfully and deliver value for money.

Few community electricity schemes exist or would be realistic in the multi-megawatt range, although the hon. Member for Rutherglen and Hamilton West mentioned at least two and we would like to see more than that. We need to ensure that we support what communities can actually deliver and what they want to see from their homes and schools. Without a sense of ownership, the

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benefits of community energy will all too easily slip away. That is why we are working in partnership with the community energy sector to develop the strategy that I have been discussing and to ensure that we address such questions in an evidence-based and thoughtful way.

Luciana Berger: I wonder whether the Minister will specifically respond to the point about co-operatives and what work his Department is doing with Co-operatives UK. Co-operatives incur a specific cost from providing that community energy by way of their legally obligated social responsibility. Many examples exist of different co-operative energy projects across the country where a certain proportion of the money generated goes back into such things as energy efficiency projects, which meets other Government aims. Therefore, as the Minister previously discussed the wider aims of his Government—co-operatives being one that we hear the Government mention quite a lot—will he specifically respond to that point?

Gregory Barker: We do not currently have a specific co-operative tariff. We have taken powers to differentiate for communities, but we do not have a specific tariff for communities within the feed-in-tariff scheme. However, we are keen to encourage co-operatives and our community strategy group has been looking at that. When we publish our community strategy, I fully expect there to be recommendations as to how we can more broadly support co-operatives. I have certainly seen the good work that they do and want to encourage them more.

We should not forget that the FITs scheme is about more than just community projects. FITs have allowed us to support innovation and engagement by commercial organisations, by individual landowners and developers and, in particular, by small and medium-sized companies, which are absolutely crucial to our growth agenda. It must be right that as wide a group of organisations as possible are able to take advantage of our distributed energy ambitions.

We need, however, to proceed with care, so that any changes to schemes, were changes to come forward, incentivise the right kind of projects. Our forthcoming changes to the renewables obligation, for example, will help to secure a viable future for larger-scale solar power, which has a particular emphasis on the best use of rooftop solar and brownfield. We need to be careful that we do not over-incentivise large-scale ground-mounted projects in inappropriate places—I am thinking of greenfield agricultural land—that could generate strong opposition to our community energy agenda. As I said, a 5 MW solar plant, for example, would be several times the size of a football pitch, so we need to bear in mind that when we start talking beyond small scale, we are actually talking about potentially very large energy projects. All future changes would need to be consistent with that approach. It needs careful design and thoughtful consideration. It certainly could not be a scheme about renewable energy at any cost. Impacts on the local community, on landscape and on consumer build have to be a real consideration of any expansion of the scheme.

In conclusion, we appreciate the amendment, or at least the intent behind it. The issue has a great deal of support within the Government. However, it requires

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further consideration. We know that the previous feed-in tariff scheme was introduced without sufficient rigour and thought given to the unintended consequences that could lie behind it. It actually gave rise to perverse consequences and we had to make substantial reforms as a result. Is there potentially an ambition to grow the scheme forward? Are we open-minded about that? Absolutely, but we need to give the matter further consideration. As I said, we need the Secretary of State to be comfortable with that consideration.

I recommend that the hon. Gentleman withdraws his amendment—I will be happy to talk to him outside the Committee—as the matter is under active consideration in Government.

Peter Aldous (Waveney) (Con): I do not wish to make a speech; I simply want to put something on the record. As set out in the Register of Members' Financial Interests, I am a partner in a family farm and that partnership has just entered into an agreement for the letting of some land for a solar farm. I want to put that on the record to avoid any misunderstanding.

The Chair: Thank you for that advice.

Tom Greatrex: I think this is the first time that I have heard a Conservative Minister place responsibility on the other members of the coalition party. I am looking at the faces of the two hon. Members. One is more inscrutable than the other, but I take it from their facial expressions that it was a surprise to be held responsible for the position that the Minister outlined. There was little to disagree with in his first remarks. In fact, he was broadly agreeing with some of the points that I had made, and I salute his enthusiasm for community and co-operative and mutual energy.

I understand the Minister's point about his strategy, which will soon be published. A part of

the effectiveness of that strategy was in seeking to grow community energy. My hon. Friend the Member for Liverpool, Wavertree referred to at least one example, and I know there are others. Schemes would be looking to expand and to continue to expand. The strategy would be fine and well, unless the state of the law at some point makes it difficult for them to expand because the 5 MW limit applies. It could almost be perverse and there could be unintended consequences. The strategy could be saying all the right things and making encouraging noises. Given the Minister's own personal interest and involvement, he will go to lots of forums and make enthusiastic comments, as I know he is adept at doing, in support of community energy, yet the expansion of those schemes will be hampered by one aspect of the Bill that we did not take the opportunity to amend when that opportunity arose in Committee.

4.45 pm

I take the point that the Minister makes about duty and the definition in relation to amendment 42. Given the undertaking, which I took from his earlier contribution, that those issues will be addressed within the strategies and the points around the encouragement of community energy, I will withdraw the amendment. I expect that others will wish to bring some of these issues up again, or some related aspects, on Report. I would like to press amendment 43.

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Gregory Barker: In respect of amendment 43, what I was trying to indicate to the hon. Gentleman is that this is under active consideration in the Government. If it were pressed to a vote at the moment we would not be able to support it, but I hope that it might be something that we can revisit. We are on the first day of the Committee proceedings in the Commons. It will come back on Report. It has to go to the Lords. We may be able to return to it. So rather than bring this to a head now I ask him to consider staying his hand, pending further consideration by the Government.

Tom Greatrex: I wonder whether the Minister could perhaps give a little bit more on that point. Is he hinting that there may be a Government amendment on this, not necessarily the same amendment but with the same purpose on Report, or subsequently? Or was he indicating that this is something that he would rather not vote on now?

Gregory Barker: No; it is above my pay grade to make the commitment that we will definitely return with an amendment. We have to go through a proper consideration. But we may be returning and leaving the door open to returning with a Government amendment on Report or in the Lords.

Tom Greatrex: I am grateful to the Minister for that little bit more. I will take him at his word and hope that he wins that battle with his Liberal Democrat colleagues in the coalition to seek to promote community energy further. I am sure that at least one of his Liberal Democrat colleagues will make that point to the Secretary of State. I am sure that he will be a strong supporter of community and co-operative energy. I am sure the other Member is too, but he is much better at not giving anything away. If a Government amendment does not appear on Report he may find amendments from others addressing the issue. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.