



Environmental Audit Committee

House of Commons, London SW1A 0AA

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Rt Hon Kwasi Kwarteng MP
Secretary of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

By email

29th April 2021

Technological Innovations and Climate Change inquiry: Removing the barriers to the development of community energy

Dear Secretary of State,

My Committee held an evidence session on community energy as part of our inquiry into *Technological innovations and climate change*. Our call for evidence, issued in February 2021, resulted in 57 responses, including a response from your Department.¹ On 14th April we held an oral session with representatives from Northern Powergrid, Devon County Council, and three community energy groups (Brighton & Hove Energy Services Co-op, Awel Aman Tawe, Sustainable Energy 24 – SE24).² I am writing to raise some of the issues from the session and would be grateful if you could respond in writing.

The community energy sector grew rapidly in the UK from 2014 to 2017. However, unlike other European countries including Germany, Denmark and the Netherlands, the UK community energy sector is small, and no longer growing. There are several fundamental barriers to the growth of community energy in the UK that were raised in the evidence we received from the sector. These barriers are explained below alongside other key themes and issues arising from the session:

Wider benefits from Community energy

Successful community energy projects across the country are placing tackling climate change at the heart of their activities, engaging the public in decarbonisation and pioneering innovative trials to meet the demands of a potentially decentralised and increasingly digitised future energy network. Community energy projects offer a wide range of local benefits beyond those directly associated with decarbonisation from increased generation of renewable energy. Brighton & Hove Energy Services Co-op told us that community groups provide invaluable long-term support

¹ The responses to the call for evidence are published on the Committee's [website](#)

² The oral evidence transcript can be found on our website
<https://committees.parliament.uk/oralevidence/2010/html/>

to an energy installation, compared to a commercial group that would have less responsibility for ongoing management of a project.

In many projects, profits generated from community energy groups are invested into community benefit funds which, across the UK, support wider environmental and biodiversity improvements. Projects create local jobs and boost the local economies of communities, address fuel poverty and encourage a just transition to net zero across all social groups, by empowering communities to be involved in their own energy. We heard that the same benefits will not be achieved if energy decarbonisation is only achieved via commercial, large-scale renewable projects.

Engaging the public in net zero

Witnesses including Northern Powergrid suggested that the UK will not reach its net zero target without individual and societal behavioural change on energy usage.³ This has also been suggested by the Climate Change Committee in its Net Zero Report and advice on the Sixth Carbon Budget. Community energy is uniquely placed to engage the public in the energy transition to a decarbonised network, encouraging increased uptake and understanding of sometimes controversial technologies such as onshore wind turbines and smart grids. Evidence suggested that community energy brings unique educational opportunities that will be vital for energy behaviour change in the coming decades: community projects such as Awel Aman Tawe in Wales are willing to invest in solar electricity for small schools (that would have no financial incentive for commercial energy companies), bringing energy and climate change into school lessons for more pupils and their families.

Community projects can make the decarbonised and digitised energy transition beneficial for everyone, including the energy vulnerable. We heard that there is no lack of local skills or motivation to address the climate emergency on a community level, but that there is no longer a UK strategy to harness the potential of communities. Devolved policy is variable, and evidence suggested that Scotland and Wales have much stronger policy frameworks supporting community energy than England and Northern Ireland. Due to the urgency of the climate crisis and the vital roles communities will have to play in reaching net zero, it is essential that a timely solution to support the long-term growth of community energy across the UK is found.

Given the level of behaviour change the Climate Change Committee has said is required to meet net zero, it is disappointing that your recent Energy White Paper only mentions community energy once and local energy only twice. We recommend that the forthcoming Net Zero Strategy emphasises the importance of community energy, and that BEIS develops, with the support of the devolved administrations, a complementary UK-wide community energy strategy, to include practical support measures to harness the potential of community energy.

Financial support

The 2014 Community Energy Strategy and a favourable financial support environment, including feed-in tariffs, boosted community energy growth in the UK. Evidence from SE24 and others told us that funding support given to community energy projects repays itself several times over

³ [Q5](#)

through the engagement, environmental and local economic benefits the projects bring.⁴ However, the sector told us how changes to the subsidies available over the past five years have negatively affected the financial viability of community energy projects, particularly small rooftop solar and urban projects. These include the closure of Feed-in Tariff applications in 2019, the end of both the Urban Community Energy Fund in 2016 and Non-Domestic RHI at the end of March this year, and the exclusion of community energy from Social Investment Tax Relief since 2017. Although the Smart Export Guarantee has replaced the Feed-in Tariffs, the community energy sector suggested that the Smart Export Guarantee is flawed because it provides no minimum export price, and no long-term certainty beyond 12-month periods. It puts the community energy sector at a disadvantage to larger renewable energy projects which receive long-term certainty from Contracts for Difference. We have heard there are some successful projects supported by the Rural Community Energy Fund; however, the sector is concerned that this will end in 2022 with no replacement announced.

We welcome the forthcoming Ofgem report on the level of renewable energy deployment supported by the Smart Export Guarantee tariffs, and the subsequent BEIS review. We recommend that BEIS swiftly introduces a minimum Smart Export Guarantee floor price above zero,⁵ and extends the guarantee on the energy export price. We recommend the reinstatement of the Urban Community Energy Fund, or a combined fund with the Rural Community Energy Fund when it ends in 2022; reinstating Social Investment Tax Relief for investments in community energy;⁶ and a replacement non-domestic Renewable Heat Incentive, designed to support community projects.⁷

Regulatory barriers

Community energy and environmental groups, charities and electricity network operators suggested that the current regulatory regime for energy distribution acts largely as a barrier for the growth of community energy in the UK. Grid connection costs and access charges can be too high for small groups and do not account for the wider decarbonisation benefits, including education and social support, that the projects bring to their communities compared to commercial renewable projects.

Local energy markets will play an important role in the future energy network, balancing supply and demand at a community level and building energy resilience by harnessing edge-of-the-grid potential (where local energy might be self-reliant for much of the time). Evidence from community energy groups and network operators said that this can only be achieved if there is a 'right to local supply', as seen elsewhere in Europe and now enacted through the EU Clean Energy Package. Currently, the inability of a community project to sell their energy to their own community and accommodate local demand (instead, selling to and then buying back from the grid) is a significant barrier to project development. The Local Electricity Bill sought to address this issue, allowing direct local energy transactions, but will fall at the end of the Parliamentary session.

⁴ [Q48](#)

⁵ [Q50](#)

⁶ [Q18](#)

⁷ [Q38](#)

The Government should remove the regulatory barriers to allow community energy projects to sell their energy to their local communities.⁸ We recommend taking guidance from countries with widespread community energy development, including the Netherlands, on how to successfully harness the potential of community energy.⁹

Ofgem should improve its support of community-led renewable energy projects. It should acknowledge the vital benefits beyond energy decarbonisation, not provided by commercial projects, that community energy brings, for example by minimising connection charges for community projects that address grid and/or climate problems.¹⁰ We recommend Ofgem provides guidance to Distribution Network Operators on how to incorporate community energy into the energy network.

Local Authority Engagement

Local authorities benefit from engaging with and encouraging community energy groups, with projects bringing local economic benefit and reducing fuel poverty, as well as supporting net zero targets. Evidence suggested that community groups are much more successful when they are supported by a local authority, since they can help secure funding, provide business support, and legal toolkits to support groups. However, despite the climate emergencies declared by over 70% of local authorities and the vital role community energy can play in supporting decarbonisation targets, we heard that there is inconsistency in the support provided by local authorities to community energy projects. This is due to a lack of financial resources and expertise, fragmented policy (including the lack of a national strategy) and variable knowledge about the importance of community energy in developing Local Energy plans. Even where local authorities want to support community energy in their area, councils have concerns over procurement regulations that apply to being able to buy energy from their own community energy groups, an issue that Devon County Council told us they are trying to avoid by developing synthetic power purchase agreements with community energy generators.

The Government should support local authorities to develop local area energy plans which harness the potential of community energy. To enable increased participation from local authorities, we recommend considering adjustments to the National Planning Policy to allow prioritisation of community owned energy developments, producing guidance on how to deal with procurement and investigating what impact mandatory participation between local authorities and community energy groups would have.¹¹

I would be grateful for a response by 7th June 2021. This letter will be published on the Committee's website on 30th April, and I expect the Committee will wish to publish your response. I am copying this letter to Darren Jones MP, Chair of the Business, Energy and Industrial Strategy Committee.

⁸ [Q50, Q46](#)

⁹ [Q42-44](#)

¹⁰ Community Energy England, Community Energy Scotland, Community Energy Wales ([CEN0038](#))

¹¹ [Q51](#)

Yours sincerely,

A handwritten signature in black ink, reading "Philip Dunne". The signature is written in a cursive style with a large initial 'P' and 'D'.

Rt Hon Philip Dunne MP
Chairman of the Environmental Audit Committee