



THE GROWTH OF COMMUNITY ENERGY IN NI

Position Paper

Joint-Committee on Community
Energy Policy
Drumlin wind energy Co-op and
Northern Ireland Community
Energy

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INTRODUCTION

The Department for the Economy is developing a new Northern Ireland Energy strategy. This position paper aims to contribute to the new strategy by highlighting the need for a specific community energy policy within the strategy and proposing additional targets for the development and growth of community energy projects.

This position is based on the first-hand experience of two successful organisations which have pioneered community energy in Northern Ireland since 2014. This paper was prepared by a Community Energy Policy Committee between March and September 2020. The Committee included representatives of Drumlin Wind Energy Co-operative and Northern Ireland Community Energy (NICE).

1. AN ENABLING ENVIRONMENT FOR COMMUNITY ENERGY

1.1 There are more than 300 community energy projects across the UK¹. Drumlin Wind Energy Co-operative and Northern Ireland Community Energy are two excellent examples of community energy projects developed in Northern Ireland². However, Northern Ireland has fallen behind the rest of the UK and much of Europe, in not recognising the growth of community owned energy enterprises in the region and not supporting Community Energy.

1.2 According to the *State of the Sector 2020* report³, community organisations installed 15.4 MW of new electricity generation capacity in 2019, bringing total UK community-owned capacity to 264.9 MW. Communities have also delivered energy efficiency projects, battery storage and low carbon transport and contributed to an overall reduction of carbon emission by 65,200 tonnes of CO₂ across the UK .

1.3 Community energy projects are based around either geographical communities or ‘communities of interest’ - project members are purposely involved, share benefits and ownership, and have control over decision making in the project. Community energy projects include a diversity of initiatives from electricity generation to energy use reduction, employ a range of technologies and adopt a variety of business models which are mostly replicable and scalable.

1.4 Community energy in Northern Ireland was spearhead by Drumlin Wind Energy Co-operative, with six 250kW wind turbines (total capacity 1.5MW) situated across the region and the Northern Ireland Community Energy (NICE) with 18 solar panels ranging from 4kW to 15kW installations, on buildings occupied by charities and social enterprises throughout Northern Ireland.

1.5 Based on our experience, this paper draws attention to the contribution that community energy can bring and identifies some Government and sectoral improvements needed to support this work and enable further progress in the future. The Committee encourages the Department for the Economy to adopt the following suggestions within the new Energy Strategy.

¹From the report ‘Community Energy. State of the Sector 2020’ compiled by Community Energy England in June 2020 and accessible from <https://communityenergyengland.org/>

² For instance, Upperlands Community Development Ltd and Grass Roots Renewables CIC (Carntogher Community Association)

³ The report was accessed last on the website in September 2020.

1.6 The Committee **recommends the adoption of this definition of community energy**⁴ for Northern Ireland:

‘Community energy refers to the delivery of community-led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by geographical communities and/or communities ‘of interest’ or through partnership with public sector or commercial partners.’

Implicit in this definition is the understanding that Community-led projects place democratic control, shared benefits and active participation at the centre of project delivery and citizens are recognised not just as consumers but also active participants, or partners, in the transition to a low carbon economy.

1.7 Some aspects of the legal definitions of ‘*Renewable Energy Community*’ and ‘*Citizen Energy Community*’, recently stated in the European Renewable Energy Directive and the Electricity Directive respectively⁵ are included in the above definition.

1.8 The adoption of a definition and role for community energy, would allow the Department to work with an increased variety of energy projects, harness the knowledge, skills, creativity and potential of local people closer to the needs of communities. For instance, Carntogher Community Association and Upperlands Community Development Ltd are two good examples of local community associations that have developed community energy assets (a wind turbine and a hydro project respectively) that benefit the local geographical communities.

1.9 Communities that have developed community energy projects have experienced benefits that far outstretch the production of clean sustainable energy. This is a crucial point that makes each community energy projects unique.

1.10 The Committee **recommends that the Department recognises the extensive benefits community energy projects** can bring to society, the economy, the environment and to education. The following table identifies potential benefits of community energy projects.

⁴A similar definition has been adopted by Community Energy England <https://communityenergyengland.org/>.

⁵Article 2(16) of the Renewable Energy Directive defines *Renewable Energy Community (REC)* and Article 2(11) Electricity Directive defines *Citizen Energy Community (CEC)*

<p>Economic</p> <ul style="list-style-type: none"> - Develop new renewable energy capacity in the region - Deliver (often local) sustainable employment, education and training opportunities - Provide a financial return on citizens' investments and therefore build citizens' resilience to energy price fluctuations - Increase the use of alternative sources of funding e.g. the community investor, partnership/match funding - Create steady income streams to fund community development projects over a period of time 	<p>Social</p> <ul style="list-style-type: none"> - Increase citizens' active participation and engagement - Increase public support for renewable energy - Build community confidence, resilience and social cohesion - Build empowerment and pride in/for the place we live - Increase local regeneration of community spaces, buildings or services - Reduce fuel poverty - Increase energy self-sufficiency
<p>Environmental</p> <ul style="list-style-type: none"> - Reduce greenhouse emissions - Engage more people with energy issues and environmental value - Increase the use of renewable technologies and energy efficiencies - Help the transition to a low carbon economy - Increase energy security/self-sufficiency 	<p>Educational</p> <ul style="list-style-type: none"> - Raise citizens' awareness of the need to reduce negative impacts on the environment to help avert the climate emergency - Increase knowledge of renewable energy and relevant technologies among communities - Build understanding of alternative forms of energy production and consumption

1.11 Embracing the concept of community energy requires a commitment to an enabling environment in which **communities of citizens can develop, own and operate a project in its entirety**. The Department has an important role to play with communities interested in addressing their local energy challenges. Communities must be empowered and enabled with the relevant support and helped with appropriate technical assistance during the different phases of their project development.

1.12 While there is a variety of business models which can be adopted by community projects, the Committee recommends that **any community energy project must ensure the democratic participation of the citizens and the community ownership of its assets**.

1.13 **Importantly**, the Department for the Economy has the opportunity to **support innovative community projects** that could employ new technologies, new business models (e.g. 'prosumer business models' or closed-loop systems for the production and consumption of renewable energy) and new partnership approaches. The Department should consider **pilot projects** and **explore 'social partnerships'** between the communities and public authorities.

2. A POLICY FOR COMMUNITY ENERGY

2.1 The Department for the Economy should formulate and adopt **a specific community energy policy** and incorporate this within the Northern Ireland Energy Strategy. The Community Energy Policy must ensure the maximisation of social, economic, environmental and educational benefits to communities while mitigating the risks connected to community ownership. The policy must **guarantee an enabling environment for community energy projects and commit resources to the development of community energy projects** in Northern Ireland.

2.2 The Department for the Economy should ensure that **specific targets for community energy** are included in the community energy policy. According to a recently published report⁶ ‘the Scottish Government remains committed to supporting progress with new targets of 1 GW (1,000 MW) of community and locally owned renewable energy to be operational by 2020 and 2 GW (2,000 MW) to be operational by 2030.’ The Scottish Government has committed to generate 1 GW of renewable energy through community energy projects. A community energy policy for NI should also set ambitious targets for equitable impact.

2.3 During the development of Drumlin and NICE, the projects benefited from energy specific knowledge, legal and business support and guidance on funding mechanisms from specialised organisations⁷. The Committee recommends that the Department **fund a local development body to provide necessary support to communities** to understand their options, provide mentoring and independent advice, technical assistance and relevant guidance. Many projects would benefit from learning of the experience of other groups e.g. replication of good working models and avoidance of common pitfalls. A locally based team tasked with the support for development, could also provide a facility as a hub of information and networking.

2.4 The Committee also believes that a local development body could help with accessing funding, providing guidance on grid connection, planning permission and choosing a suitable route to market. It would also be well-placed to advocate for community energy projects with the Regulator, statutory bodies and other stakeholders.

2.5 In addition the committee recommends that the Department should **establish a Community Energy Enterprise Programme** of support for local community energy projects. Similar schemes exist in other UK regions – for example, the Scottish Government’s Community and Renewable Energy Scheme (CARES) – and these have proven beneficial for the development of community energy. A funding programme will enable the setting up of projects through initial development grants, access to specialised support for the legal, governance, financial and business aspects of the project, and development loans. The programme could, for instance, fund initial feasibility studies, assist with start-up costs and provide loans at low interest rates to implement the business plan, if viable.

⁶ *Community and Locally Owned Energy in Scotland. June 2019.* Report published by Energy Saving Trust for the Scottish Government in January 2020

<https://energysavingtrust.org.uk/sites/default/files/Community%20and%20locally%20owned%20renewable%20energy%20in%20Scotland.%202019%20Report.pdf>

⁷ These organisations have been involved in the development of Drumlin and NICE: Energy 4 All, NRG Consultancy and Co-operative Alternatives.

2.6 The committee also recognises the pivotal role that Government subsidies⁸ have had in the development and long-term sustainability of Drumlin and NICE. The access to Renewable Obligation Certificates (ROCs) has ensured the financial viability of the projects, mitigated community risks and attracted community investors. We encourage the Department to **introduce subsidies such as Community ROCs or Community FITs for community energy projects** and recognise the positive impact that simple and accessible Government subsidies have on community energy provision.

2.7 The committee believes that direct support, in the form of subsidies, would be better than the Contract for Difference (CfD) funding mechanisms currently adopted by the UK and Irish Governments to support new low carbon energy generation capacity. The reasons for this preference are:

- The value of the social, educational, environmental and economic benefits to the communities and the project participants would simply not be accounted for in a bidding system driven purely by value for money.
- Community energy projects would enter a disadvantageous competitive environment where small or medium scale innovative proposals would receive less attention and ‘diversity’ and responsiveness to local need, would be sacrificed.
- Community energy projects would struggle to compete with larger commercial project on many levels including the costs relating to the preparation of bids. Commercial developers can afford personnel costs and, above all, the time to engage with complex auction processes while community energy projects may depend on the voluntary input of engaged citizen, even when supported by professional.

Even if Government promise to identify ‘community only’ ring-fenced funding under CfD, following the Republic of Ireland approach, the committee believes this would have negative and unwanted consequences. It may, for a start, encourage unhealthy competition over productive collaborations among communities and also invite commercial players to inappropriately adopt social impacts narratives while still guided by an unequal distribution of profit.

2.8 The committee also recognises the role that the Department can play when championing community energy projects and **influencing changes in other Departments’ policies, strategies and procedures**. The Department should **lead and support selected pilot projects** including, for example, partnerships with local councils, NIHE, Forest Service, DfC.

We have identified potential policy enablers within DfC, DfI, DoF, local Councils, Invest NI etc. in the table below.

Public Body	Policy enablers descriptions
Dept for Communities	1. Ease access to underused/derelict public land and introduce regulations enabling asset/land transfers (with asset lock) to community energy groups where renewable technologies and energy efficiency are material considerations.

⁸ Both Drumlin and NICE financial models benefit from Renewable Obligation Certificates (ROCs).

<p>(Target: Policy on Community Asset Transfer- CAT)</p>	<p>2. Support educational programmes on community energy that will increase awareness and knowledge of renewables and their positive environmental and community impacts.</p> <p>3. Actively support community ownership and build community capacity in leading renewable energy projects.</p>
<p>Dept for Infrastructure and Local Councils</p> <p>(Target: Planning procedures and Procurement policies)</p>	<p>4. Introduce planning presumption in favour of community-led projects. Community energy and community benefit should be a material planning consideration.</p> <p>5. In joint-venture cases with public bodies, review procurement guidelines so that they are fit for purpose and proportional to the tasks. Community benefits should be material to the process.</p>
<p>Dept of Finance and Land and Property Services</p> <p>(Target: Business rates)</p>	<p>6. Review of business rates for community-led energy projects.</p>
<p>Dept for the Economy and Invest NI</p> <p>(Target: Loans and equity investments policies)</p>	<p>7. Establish a government community energy loan facility at zero or below-market interest rate.</p> <p>8. Work across Government and/or with local CDFI bodies to make favourable rate loans available and accessible to community energy projects.</p> <p>9. Allow public bodies to become shareholders/institutional investors in community-led projects. ‘Community shares’, a unique type of share available in co-operative structures, have been used in both Drumlin and NICE. ‘Community shares’ are non-speculative shares, withdrawable but non-transferable outside the co-operative structure and, although they can decrease, they cannot increase beyond the nominal value⁹.</p>
<p>HMRC</p> <p>(Tax incentives and VAT)</p>	<p>10. Other enablers such as the re-introduction of the SIRT for community energy or appropriate reform of VAT, are outside the remit of the Northern Ireland Executive but equally important. The Department should lead and lobby for the introduction of tax incentives for community investors in community energy projects.</p>

⁹For more information on community shares visit <http://www.coopalternatives.coop/community-shares/what-are-community-shares/> and the Community Share Unit www.communityshares.org.uk

3. CONCLUSIONS

3.1 We strongly encourage the Department to recognise the role that community energy can play to the transition to a low carbon economy and to create an enabling environment for the growth of community energy, with

- the adoption of a community energy definition,
- the recognition of the additional economic, environmental, societal and educational benefits of community energy, and
- a strong focus on enabling citizens to develop, own and operate community energy projects in their entirety.

3.2 For Community Energy to play the pivotal role that it has proven to be in other parts of the UK, we ask the Department for the Economy to confirm it will adopt the following priorities:

1. to confirm that it will ensure that a Community Energy growth policy with a complementary investment strategy will be provided for within the new Northern Ireland Energy Strategy
2. to set ambitious targets for Community Energy development and growth in line with the other regions of the UK
3. to invest in and resource a locally owned Community Energy development body, to support the development and growth of a network of community energy enterprises and initiatives across Northern Ireland.

We also call on the Department of the Economy to:

- to commit to resource adequately a Community Energy Enterprise Programme for the lifespan of the new Northern Ireland Energy Strategy.
- to develop appropriate financial mechanisms to secure and support the growth of community owned renewable energy production and sales for the long-term (Community ROCs, FiT etc)
- to promote interdepartmental support and policy alignment to facilitate the growth of Community Energy enterprises and initiatives.