



Community Ownership - The Government's "carrot and stick"

In the latest of an increasing stream of publications from DECC affecting the renewables sector, the Government published its Community Energy Strategy on 27 January 2014.

The Strategy contains a whole variety of different initiatives to expand the role of community energy. The industry has played a key role in developing community benefit models over the years and Renewables UK has only recently updated its Community Benefits Protocol. However, within the Strategy there was a clear "carrot and stick" signal from Government on community ownership of projects and the renewables industry needs to take heed of this and prepare for policies that could have a dramatic effect on project developers in years to come.

Direct ownership of renewables projects by locals in the community is not new but has, to a large extent, been driven by the formation of co-ops, the incentives available for small-scale feed-in tariff projects and a limited number of innovative developers. Ownership models have grown from this, be they co-ops, CICs, joint ventures, turbine ownership models or revenue sharing agreements. However, the experience of many developers is that working in partnership with the community or a community led enterprise whilst rewarding, is not always a simple process. Consideration on all sides will need to be given to structures, rights afforded and exits routes from a project if a community ownership is to become the norm.

The Carrot

Engaging with the community and allowing it to share in a project has some major benefits. It helps in establishing community support for a project and it educates the community on the issues and risks surrounding UK energy and renewable energy policy and development. Both sides can bring complementary skills and in-kind services to facilitate a project. The latest planning guidance from DCLG states "*local planning authorities may wish to establish policies which give positive weight to renewable and local carbon energy initiatives which have clear evidence of local community involvement and leadership*". For many smaller projects the community can also be a useful source of funding.

The Stick

The Government is committed to establishing more projects with community energy ownership and a task force has been set up to report on this by the summer (2014). The clear signal is that "*By 2015 it will be the norm for communities to be offered the opportunity of some level of ownership of new, commercially developed, onshore renewables projects*".

If progress by 2015 is limited Government will "*Consider requiring all developers to offer the opportunity of a shared ownership element to communities*".

To be a meaningful stick, it is likely the Government will want to consider legislation to back this up.

This will represent a major shift for onshore renewables. No mention is made of the cap on the size of the projects which have to offer community ownership. The Government has clearly been looking at the Danish model whereby community ownership has been boosted following its 2008 Renewable Energy Act. Developers in Denmark are required to offer up to 20% of shares in a project to the community living within a certain radius of the projects. Shares which are not taken up are then offered to other householders in the wider community.

The time to plan is now

It appears that one way or another community ownership of onshore renewables projects will become a reality. Innovative developers are already working with advisors in community structuring and engagement to work out the best way of adapting their renewables development strategy going forward and how best to engage communities and offer them stakes in projects. If the industry does not lead on this then the Government will legislate. Those involved in the renewables sector need to join together to work out the most efficient and feasible way of enabling community ownership to become a reality.

Burges Salmon

Burges Salmon has been at the forefront of developing innovative community energy models and strategies. We have worked with parties on joint ventures with the community, the formation of co-ops, turbine ownership scenarios as well as

share offerings to the general public and local communities. We are experts in the Financial Services and regulatory rules surrounding community offers.

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