



APPROACHES TO FUTURE DEVELOPMENT

A Discussion Note for the Community Energy Action Group,
Fred Barker, August 2018

Two distinct approaches are:

- 1 **'Identify-encourage-enable'** – where the action group undertakes initial discussions to identify and encourage potentially viable renewable energy projects and, if appropriate, works with an appropriate 'partner' organisation that could fully assess, develop, own and run the project (in particular, Gloucestershire Community Energy Cooperative (GCEC) or other community or public bodies).
- 2 **'Identify-assess-own'** – where the action group establishes a Stroud-based social enterprise to assess, develop, own and run local renewable energy projects. [A potential variant of this approach would be where the social enterprise purchases an existing project (or permissions) from a commercial developer.]

The group's early actions are consistent with the first part of the first approach. At some point, the group might wish to also focus on the second approach (a decision which should take account of Nailsworth Climate Action Town's thinking about setting up a social enterprise).

It is important for the group to be aware of these approaches and keep them under active review. There might be actions that the group should take to help the effectiveness of the first approach and to inform a future choice between approaches.

Questions relating to the effectiveness of the first approach:

- Do we need to develop our own initial PV roof assessment capability? It could potentially help the 'identify-encourage-enable' role if we were able to offer preliminary advice on the potential size and cost of a PV install, and on the likely output, ongoing costs, income potential and business case¹.
- Do we need to develop a crowd funding 'service' (using existing platforms eg [Crowdfunder](#)), so that the approach could include the offer of organising fund-raising for renewable installs for community or public bodies²?

¹ It is possible to do this using eg [PVGIS](#) and spreadsheet models.

² Note that there is an important distinction between donation or reward based crowdfunding and equity or debt crowdfunding. The former are essentially gift-based and the latter are investments. For example, the recent crowdfund by [Stroud Brewery](#) was an equity (bond) crowd fund.

Information relevant to the second approach includes:

- a) The most common form of community energy social enterprise is a Community Benefit Society (CBS). For a basic description see [here](#), and for a summary of regulatory information see [this](#). GCEC is a CBS.
- b) Grants are available from the Rural Communities Energy Fund (RCEF) to enable social enterprises to commission studies to identify and assess the feasibility of potential projects, including business plan viability. Stage 1 grants up to £20,000 are available to cover the consultancy and professional costs involved. See further information [here](#). At the current time, it is likely to be highly challenging to establish a 'get going' business case for a new social enterprise³.
- c) If such a case could be established, there are a number of potential approaches for developing feasible projects, including utilising RCEF Stage 2 development loans and 'in-house' effort, or commissioning the services of intermediaries such as [Communities for Renewables](#), [Energy4All](#), [Environmental Finance](#) or [Mongoose Energy](#). Some intermediaries provide development services on an 'at risk' basis, taking payment once a project is generating income. Intermediaries often also provide asset management services to CBSs with projects that are up and running.
- d) In the variant of the second approach – purchasing an asset from a commercial developer – various intermediaries can advise and negotiate on behalf of a CBS to ensure that a sound business case for the purchase would be made. Where a *new* project is to be undertaken by a commercial developer with a view to offering a transfer to a community entity, planning obligations can be put in place to ensure such an offer is made, and a pre-planning contract between the developer and the CBS (or an intermediary) should be put in place to ensure appropriate sale terms.
- e) There are also a number of ways of raising the capital for projects, including through specialist loans (see for example [Pure Leapfrog](#), [Social and Sustainable Capital](#) and [Thrive Renewables](#)) and community bond and share offers (see for example [Mongoose](#) and [Ethex investments](#)).
- f) A small number of CBSs have a partnership approach with their local authority, including [Plymouth Community Energy](#) (PEC) and [Energise Barnsley](#) (EB). PEC has a service agreement with the City Council, so that Council staff work on PEC projects. EB commission an intermediary - [Gen Community Ventures](#) - to develop and manage Council House PV projects.

Points for discussion:

- What are the early thoughts of group members on the pros and cons of the two approaches?
- What actions are needed to make the first approach effective?
- What information/progress is needed before any shift in focus to the second approach?
- What actions should be taken to help inform a future choice?

³ It may be that the RCEF grant route is only worthwhile if preliminary work has identified potential projects that could in principle offer reasonable prospect for providing a 'get going' business case eg rooftops at scale or land for ground-mounted PV with potential for 'direct wires' to substantive electricity users. There may also be scope for using an RCEF grant to explore the local feasibility of alternative business models – eg BHESCO's [Pay As You Save](#) model.