Shared Ownership Taskforce: Report to DECC

Draft Report for Consultation

23 June 2014

Contents

Consultation phase: Before publishing its final report in September, the Taskforce would like to seek wider views on its recommendations. A series of consultation questions accompany the report, and are available at the above web address. Details can also be found on RenewableUK's website at: www.renewableuk.com/en/renewable-energy/communities-and-energy/shared-ownership/index.cfm

The consultation period runs from Monday 24 June to Friday 29 August 2014. Please send consultation responses to: Shared-Ownership-Taskforce@RenewableUK.com

1) Introduction and background to the Taskforce

As part of The Department of Energy & Climate Change (DECC)'s *Community Energy Strategy*, published on 27 January 2014, the renewables industry and the community energy sector have committed to work together to facilitate a substantial increase in the shared ownership of new, commercial onshore renewables developments by 2015. The renewables industry has agreed to lead a taskforce, made up of representatives from industry, community energy groups and Government.

The *Community Energy Strategy* states:

> "The Secretary of State for Energy & Climate Change has asked an industry taskforce to work with the community sector and report back to him by summer 2014. This report will include a robust framework and timetable for implementation. In addition to identifying measures to increase community ownership of new commercial developments, the taskforce will work with community energy groups to set an overall level of ambition for community ownership of new renewables developments (including both wholly and partly community-owned developments).
>
> We expect 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. We will review progress in 2015 and if this is limited, we will consider requiring all developers to offer the opportunity of a shared ownership element to communities."

The Taskforce has agreed on its Terms of Reference, which are available on its website.

The work of the Taskforce

The Taskforce has met four times.

- Its first meeting, in February 2014, was with DECC, and was a broad discussion of the nature of shared ownership.
- Its second meeting, in March 2014, discussed the principles behind shared ownership, as described in Section 3 below, and discussed existing and potential models of shared ownership.
- Its third meeting, in April 2014, discussed how existing principles and models could be used to develop a framework ('the Framework') for shared ownership (as described in Section 4 below).
- Its fourth meeting, in May 2014, discussed this report in draft form.

During Taskforce discussions a wide range of views have been expressed. This draft report and accompanying consultation questions seek to reflect areas of broad agreement and areas requiring further discussion and evidence.

Between these meetings, members of the Taskforce have offered comments, provided information and assisted with drafting this report. They have also sought input and engagement from stakeholders, including the renewables industry, community groups, academics and others. We are grateful to everyone who has taken part in these discussions.

The Taskforce would welcome comments on this draft report, and Taskforce members will be organising a series of opportunities for stakeholders to engage with its findings. The report will be finalised in early September 2014.

The Taskforce will meet again at the end of 2015 to assess progress on shared ownership. This is described in more detail in Section 5 below.

Members of the Shared Ownership Taskforce

1. Maria McCaffery, Chief Executive, RenewableUK (Chair)
2. Rebecca Willis, Energy Specialist, Co-operatives UK and Pure Leapfrog (Vice Chair)
3. Gemma Grimes, Director of Onshore Renewables, RenewableUK (Secretary)
4. Dr Nina Skorupska, Chief Executive, Renewable Energy Association
5. Gaynor Hartnell, Community Engagement Advisor, Renewable Energy Association
6. Leonie Greene, Lead External Affairs & Policy, Solar Trade Association
7. Matt Hindle, Policy Manager, Anaerobic Digestion and Biogas Association
8. Zoisa Walton, Head of International Community Engagement, Eneco Wind Ltd
9. Charles Williams, Development Director, Falck Renewables
10. Bonnie Priest, Managing Director, Carbon Free Developments
11. Mike Child, Development Manager, LarkEnergy
12. Pete Capener, Co-Founder and Executive Chair, Bath and West Community Energy, interim chair of Community Energy England and member of DECC's Community Energy Contact Group
13. Robert Rabinowitz, Chief Executive, Pure Leapfrog
14. Chris Church, Chair, Low Carbon Community Network
15. Mike Smyth, Chair, Energy4All
16. Will Dawson, Principal Advisor, Forum for the Future
17. Merlin Hyman, Chief Executive, Regen South West
18. Pauline Gallacher, Neilston Development Trust
19. Simon Hamlyn, Chief Executive British Hydro Association (BHA)
20. Philip Wolfe, Chairman, Westmill Solar Co-operative; Interim Director General, Community Energy England
21. Meg Roper, Policy Manager, Combined Heat & Power Association
22. Patrick Devine-Wright, Professor, University of Exeter

2) Definitions

This report does not set out to prescribe, in detail, all aspects of shared ownership arrangements, or to provide a legal definition of key terms. In Section 4, where we set out the Framework that we expect developers and communities to follow, we define the terms that we are using in this report. However, as this is a voluntary agreement, we do not attempt to codify every aspect of the process. We expect both developers and community groups to take the recommendations forward in good faith, according to the principles set out in Section 3. The Shared Ownership Taskforce will assess the outcomes of the voluntary process accordingly.

3) The principles of shared ownership

The Shared Ownership Taskforce has agreed a set of principles which should guide the way that the shared ownership process is developed.

Helping deployment: Enabling greater deployment of renewable energy, through increasing support for renewable energy development.

Flexibility: A flexible approach which can develop and change, and which does not tie participants down to a particular model. There will be different ways of achieving shared ownership depending on technology, project size, community aspirations, etcetera. We have therefore recommended a range of options which will be suitable in a variety of circumstances. Across the renewables sector as a whole, we would expect a range of different models to be offered.

Increasing understanding and engagement: Developers and communities should be able to use shared ownership to engage and motivate people, with the resulting benefits including greater understanding of the energy system, renewables and energy efficiency – 'energy literacy'. To enable this, local participation in shared ownership discussions should be prioritised.

Cost-neutral: Costs should be comparable to a commercial scheme. Shared ownership should not increase project costs, and developers are not expected to subsidise communities' costs.

Inclusive: Renewable energy schemes as a whole should provide wider social benefits, so that those who cannot afford to contribute financially can still engage in the project and receive benefit from it. This could happen, for example, through community benefit funds (for wind), or through the activities of a community enterprise.

Distinct from community benefit funds: Shared ownership should be considered separately from the community benefit payments that apply to onshore wind.

Mutually beneficial: Through achieving the aims stated above, schemes should benefit the commercial operators and communities involved, as well as the renewables industry as a whole.

Linking to policy: Actions taken through this process should feed into policy and process improvements, both through evaluation and through dialogue with Government.

4) The Framework: Our proposal for shared ownership

The Shared Ownership Taskforce recommends that:

Commercial project developers seeking to develop ***significant*** renewable energy projects (above £2.5 million in project costs) for the primary purpose of exporting energy onto a ***public network*** should offer ***local people*** the chance to invest alongside the developer.

Discussions and negotiations prior to making a shared ownership offer:

- Should be initiated at the earliest practical point in project development; and
- Should be conducted through a recognised local community group (such a group does not need to be legally constituted at this stage).

A shared ownership offer:

- Should be offered at fair market value, including any development premium. This should be based on the developer's valuation of the project's financial performance over the life of the planning consent (this is likely to be calculated by a discounted cash flow model);
- Should represent at least **X%** of the project's total costs.
  [The Taskforce is seeking views on whether to set a specific minimum percentage (for example 5% or 25%) or to offer a range, bearing in mind that projects differ in scale and cost. Over time, a higher percentage offer may be more likely.]

Developers should offer one of the three models of shared ownership described below and in Annex A. Any of these models may be funded via debt-based crowd funding, provided that this is facilitated through a community group. The developer may also choose, in addition, to offer the opportunity of investment directly to individuals, for example through crowd funding.

Three models of shared ownership:

- Split ownership, in which a legally constituted community enterprise buys a proportion of the development's physical assets – for example, one wind turbine or 30 PV panels.
- Shared revenue, in which a legally constituted community enterprise buys the rights to a future virtual revenue stream which will be calculated as a specified proportion of the output of an energy production plant (less agreed operating costs and generally less virtual debt service). This revenue stream will be calculated as if the community had acquired the underlying infrastructure.
- Joint venture, in which a commercial operator and a legally constituted community enterprise work together to create a joint venture to develop, own and manage a project.

The developer should offer one of these shared ownership models, and can also offer individuals the opportunity to invest directly, for example through crowd funding. Communities may choose the approach that they prefer.

Each project can set a minimum threshold for investment, below which the shared ownership offer will not go ahead. This is because very small levels of community ownership may not be viable. For example, some previous projects have required a minimum investment of around £500,000 from the community in order to make shared ownership viable.

In circumstances where there is insufficient appetite from the community for shared ownership to justify proceeding, or where there is an explicit preference from the community for an alternative means of engagement, the project developer may choose not to proceed with the ownership offer.

Glossary

- ***Commercial project developer*** means a company whose main line of business is developing energy projects. Such companies would typically be members of the trade associations involved in the development of this agreement. Companies whose main line of business lies elsewhere may well choose to develop renewable projects, most probably to meet their own energy demands, in which case they might want to consider making a public ownership offer. However, the trade bodies involved in this report have no remit to speak on such companies' behalf.
- ***Significant*** means a project costing in excess of £2.5 million of capital.
- A ***project*** is the development of an energy production plant (or multiple plants intended to be consented and constructed at substantially the same time and on the same, neighbouring or nearby sites), even where there may be multiple owners for such plant(s).
- ***Primary purpose*** in this context draws a distinction between "on-site" generators and "merchant" plant. Onsite generation seeks to produce energy to meet a site's own needs or the needs of a specific local user, whereas a merchant plant produces energy to sell to others. In reality, an onsite generator will export energy when its production exceeds its demand.
- ***Legally constituted*** in this context means a community enterprise that is formally recognised and able to enter into a financial shared ownership agreement (e.g. a community interest company, development trust, cooperative society, community benefit society or limited company).
- ***Export*** means a project for which 75% or more of the energy production is destined for onward supply via an electricity or gas distribution network.
- ***Public network*** means a gas or electricity network which is controlled by a regulated licenced distributor (or transmission company).
- ***Split ownership***, ***shared revenue***, ***joint venture*** and ***debt-based debenture funding*** are described in Annex A.
- ***Local*** (in the context of a legally constituted community group) could mean the nearest geographical community, or it could mean a wider group within the locality. It should be noted that population density and

project size will both influence the size of the community able to benefit from a project.

5) Implementation and monitoring

When to engage on shared ownership

This Framework applies to all relevant projects that are submitted into planning after the publication of the Shared Ownership Taskforce's recommendations (due in September 2014).

The developers of these projects would be expected to discuss shared ownership with local community energy enterprises (whether or not they are at that stage legally constituted) and/or with individuals, and offer them the chance to invest alongside the developer on fair terms and for the length of the planning licence.

Early engagement is recommended, and initial discussions at the pre-planning phase are encouraged.

It may not be practicable for a commercial developer to enter into discussions on shared ownership with a community if the project is already at an advanced stage of development. However, discussion of shared ownership is encouraged where the developer considers it feasible to do so.

Decisions regarding a formal offer of shared ownership can be made at any time. However, it is not unusual for a final decision on the full details of a shared ownership offer to be reached only once the project is under construction or is operational.

How to engage on shared ownership

In order that local people are aware of opportunities around shared ownership, it will be important for developers to publicise these opportunities alongside the normal industry community consultation processes, and in an easily accessible place on the company's website.

The following information should be provided:

1. Details of the nature of any planned opportunities for discussions with the local community around shared ownership (e.g. whether these are initial discussions, detailed discussions or final options); and

2. Details of when and where these discussions will take place.

Other approaches can also be used, including, but not limited to, one or more of the following:

1. Details announced at public meetings;
2. Details posted in local papers or magazines;
3. Details posted in local shops;
4. Details posted on local community websites or social networks;
5. Details held at the local council offices and/or on the council's website;

6. Details published through intermediaries such as the organisations listed in Annex B below;
7. Enquiries made in order to find community groups in the wider area who may be in a position to work with the developer. Such groups may include, for example, a local Transition Town group, or a community energy group that already exists nearby.

Details of forthcoming meetings, events and discussions should be published at least 4–6 weeks in advance, in order to allow people sufficient opportunity to see the information.

How to demonstrate that the offer of shared ownership has been made

For monitoring purposes, it is important for developers to keep records of how communities were consulted, how the offer of shared ownership has been made, and whether there has been take-up from the local community.

Developers can demonstrate that they have offered an ownership share (or other offer if appropriate) to local people by providing the following information on their website:

1. Details of the nature of any previous or planned opportunities for discussions with the local community around shared ownership (e.g. whether these are initial discussions, detailed discussions or final options);

2. Details of when and where these discussions will/did take place;

3. Details of where these opportunities will/have been made available (e.g. in local papers/magazines, in shop windows, on local or council websites, at the local council's offices, through intermediaries, through enquiries with local groups, etc.);

4. Details of how long these opportunities were publicised and made available via the various methods used.

If little or no interest is shown in shared ownership by the local community over the consultation period, then the developer can discharge its obligation under the Framework.

Once projects are operational:

5. Details of whether an offer of shared ownership (or other offer as appropriate) was taken up;

6. Details of the primary reasons for the decision (whether the offer was taken up or not).

This information should be published in an accessible area of the company website, and should be retained for a minimum of five years for monitoring purposes. Developers should submit the following information to their trade body:

- The name and location of the project;
- Its technology and capacity;
- Its commissioning date;
- A declaration stating whether community ownership was offered or not;
- The final outcome (e.g. equity share/revenue share/crowd funded debt / individual investments / none of the above);
- A link showing where to find information about the offer and its outcome on the company's website.

The monitoring and review process

This Framework applies to all relevant projects that are submitted into planning after the publication of the Shared Ownership Taskforce's recommendations (due in September 2014). The monitoring and review process will therefore focus on these most relevant projects, but will also seek to identify examples of wider activity on shared ownership where projects may be at different stages.

Six and twelve months after the publication of the Shared Ownership Taskforce's recommendations, the Taskforce will conduct reviews of commercial renewable energy developers covered by the voluntary Framework.

In reviewing progress made on shared ownership of commercial renewable energy generation, the Taskforce will review the company websites of a sample (e.g. 25%) of the commercial renewable energy companies covered by the voluntary Framework and which have:

1. Projects that entered into planning following the publication of the Framework;
2. Projects that are in planning or are approved, awaiting construction at the time of publication of the Framework;
3. Projects that entered construction following the publication of the Framework.

As there may be relatively few projects that have concluded shared ownership discussions in the period between the publication of the Taskforce's recommendations and its first review reports, trade bodies will also be asked to invite their members to complete a survey, to be developed by the Taskforce, on their experience of community shared ownership discussions and share offerings.

The reviews will last no longer than six weeks and will conclude with a report to DECC. The reviews will document details of:

- How these companies have demonstrated that offers of shared ownership have been made or are being discussed in relation to relevant projects;

- The number of projects where shared ownership offers have been made or are under discussion;

- Where a formal shared ownership offer has been made, the number of projects where shared ownership offers have not been taken up, the reasons for this, and whether alternative offers (e.g. reduced electricity bills) have been made or discussed;

- Where projects entered into planning after the publication of the Framework, the number of projects where shared ownership discussions have not been initiated and the reasons for this (e.g. the project had reached financial close prior to the introduction of this self-regulatory Framework).

6) The policy environment: What's needed for shared ownership to succeed

Planning

Little weight is given to community ownership or part or shared ownership of renewable energy projects within the planning system. While 'soft support' is provided through national planning policies and guidance, this aspect of policy is often given little consideration in planning decisions, both at a local level and at appeal. Community ownership currently carries no legal weight.

Additionally, the planning process itself, in terms of the levels of complexity and cost required to progress renewables applications (often including large environmental impact assessments) can act as a barrier to entry for some communities.

In order to facilitate more shared ownership of renewable energy projects, stronger policy levers for such projects need to be developed within the planning system. In particular, shared ownership should become a material planning consideration in the determination of renewable energy planning applications. Local planning officers, committee members, inspectors and judges will also need to be made aware of how to apply such policy levers.

In addition, Local Authorities should provide greater support to communities seeking to develop a community or shared ownership renewable energy scheme. There may be opportunity, for example, to treat discussions regarding shared ownership applications in a similar way to discussions with residential applicants on a residential proposal (i.e. providing greater officer support).

Local Authorities

As stated in the *Community Energy Strategy*, Local Authorities can play a vital role in facilitating the deployment of renewable energy, and community and shared ownership. They can do this through developing their own projects, supporting community groups, linking developers and community groups, or by buying into renewables schemes themselves, for example. We encourage central Government to support Local Authorities that are working in these areas.

Finance

There is currently limited experience of bank and investor funding of shared ownership renewable energy schemes. Banks and other financiers can be very cautious in offering finance to community groups or commercial developers in a shared ownership arrangement.

This caution has been heightened by the recent negative political coverage of onshore renewable energy developments and a range of current policy uncertainties, and is now impacting investment in all renewable energy types and scales. It is important that shared ownership schemes do not disincentivise traditional sources of finance, as this would be in opposition to the key principle of helping deployment.

In order to increase the uptake of shared ownership among community groups, it will be necessary for banks and other financiers to become more flexible in their approach to the financing of shared ownership schemes, both for communities and for the commercial developers involved in a project. However, in order for this flexibility to emerge, it will also be necessary for the Government to stabilise the current policy environment for renewables and put an end to its negative politicisation of renewable energy development.

There is also a need to ensure that the tax incentives available for investment in community schemes are available to individuals investing in shared ownership schemes such as the Enterprise Investment Scheme (EIS).

Support mechanisms

The financial support mechanisms for renewable energy generation are currently in a state of flux. The Feed-in Tariff (FiT) currently operates for technologies up to 5MW capacity, while the Renewables Obligation (RO) primarily operates for renewable energy schemes above this threshold. However, DECC is currently consulting on increasing the FiT for community energy schemes, and the RO is due to be replaced by a system of Contracts for Difference (CfDs) in 2017. These regulatory changes are a source of uncertainty in the renewables sector, both for community groups and commercial developers. These uncertainties are compounded by the constrained budget set aside to fund these support mechanisms through the Government's Levy Control Framework.

The FiT may be extended to cater for community renewables projects up to a capacity of 10MW. However, this could put pressure on all projects that seek finance through the existing FiT if the pot of money available for projects through the FiT is not increased to accommodate new projects between 5MW and 10MW. In addition, the degression thresholds under the existing tariff structure – and also as proposed in the current consultation – are both frequent and steep. As a result applicants will experience significant uncertainty as to the level of support their project will receive under the FiT, should it be approved in planning and built. This uncertainty and financial risk can be particularly difficult for community groups to accommodate.

The RO is being phased out and will close in 2017. However, while many commercial developers will shortly be able to choose whether they apply under the RO or the new CfDs, there will be a period of 'bedding in' before commercial developers and financiers will feel comfortable operating under this new support mechanism and will chose to apply in significant numbers for a CfD over the RO. Large-scale solar projects may have this choice removed at an earlier stage, and may be restricted to applying under the CfD, subject to the outcome of an ongoing consultation.

As a further complication for shared ownership projects seeking support, it is currently unclear whether communities will be able to receive support under a different mechanism to the commercially owned component, or whether there will be a further provision designed to cater specifically for shared ownership schemes.

In order to facilitate the uptake of shared ownership, therefore, there will be a need for greater clarity as to the type(s) and level of support available to both community groups and commercial developers when applying for support as part of a shared ownership arrangement. This issue is closely linked to questions of grid connection and the way in which such projects are treated by distribution network operators and Ofgem. These interactions require detailed consideration by Government in order for shared ownership to succeed in practice.

Registration

Ofgem's registration procedures have been developed primarily with individual commercial projects in mind. This may inhibit the registration of shared ownership projects, particularly those with split ownership.

The accreditation system for the FiT and the RO may not recognise co-located or neighbouring plants. Ofgem's guidance for the FiT has been developed specifically to prevent possible gaming by splitting up a large project into several smaller ones. This could prevent the commercial plant and the community plant being registered as two separate stations under the FiT.

The regulations for the RO are different, and would probably satisfactorily recognise a split-ownership scheme as being two discrete plants provided that each has its own connection. However, it is unclear how Ofgem would deal with two neighbouring plants which shared a connection.

In some split-ownership schemes, the community may apply to register its part of the project under the FiT, and the developer may apply for the remainder to be registered under the RO or a Contract for Difference.

These issues highlight the need for Ofgem to engage early to ensure that shared-ownership projects, particularly those in which where the site is split, are not disadvantaged through the registration process.

The administrative burden

The efforts required of commercial developers in offering shared ownership options to communities are not insignificant. Such costs will need to be minimised and offset within the wider project costs if we are to realise a significant increase in the shared ownership of renewable energy infrastructure.

There are a number of ways in which the Government could help facilitate shared ownership of renewable energy projects through reducing the administrative costs associated with establishing shared ownership provisions and their ongoing management arrangements:

1. Make shared ownership a material planning consideration, making it easier for renewable energy projects to secure planning permission

where a community demonstrates support for the project and has been offered an opportunity to invest in the project through shared ownership (reducing the costs associated with long planning delays and planning appeals).

2. Make it easier for commercial developers to secure Financial Conduct Authority (FCA) accreditation for the purposes of engaging in shared ownership arrangements with community groups (if required).
3. Make it easier and cheaper for developers and communities to secure bank finance for shared ownership schemes.
4. Make it easier for developers to integrate shared ownership approaches and monitoring arrangements within their existing project development processes.
5. Enable the Green Investment Bank to provide low-cost finance to community energy groups so that they can rapidly undertake the early stages of project development and catch up with a commercial developer's timetable.
6. Require Distribution Network Operators to offer separate connection facilities, when called on to do so, to enable a community group to enter a split-ownership scheme.
7. Resource a body/bodies to, for example:
    - Implement a platform where commercial developers can find suitable potential community partners;
    - Develop peer mentoring programmes to scale up and accelerate knowledge transfer into new community energy groups;
    - Develop template contracts to help community groups engage rapidly in shared ownership schemes.

Annex A: Descriptions of different models, with examples

Split ownership

The term 'split ownership' describes an approach where a scheme is divided into two or more separate generating systems, each of which can then produce energy for the benefit of an identified owner. One of the eventual owners would be a community enterprise. The other owner, or owners, would typically be the commercial project developer, or a utility, independent power producer, or investment fund to which the developer sells the energy-generating station.

The community enterprise could be a community benefit or cooperative society or a limited company. The community enterprise raises the funds to buy or build its share. In this case, the community enterprise owns a physical asset.

Examples of this include:

- Baywind partnership – a cooperative owns one turbine out of four on the site. Costs and income are pooled so Baywind receives 25% of the site’s income and meets 25% of its operating costs, regardless of individual turbine performance. Note: this structure does not qualify for EIS relief.
- Fenland – EDF and a cooperative jointly own a wind farm. Turbines are owned separately and there is no pooling of income or direct expenses, but grid access and some cabling is shared. This means that debt financing must be shared, since the sites cannot operate on a stand-alone basis. The structure qualifies for EIS relief.

Shared revenue

In this approach, the developer enters into an agreement with a community enterprise to provide a share of net project revenues or profit (revenues less operating costs) in return for investment from the community enterprise. The maximum investment is typically about 5% of the project capital cost. The investment is configured like a share offer, where investors get an annual return on their investment and can recover their original investment (subject to some limits in initial years). The investment prospectus is typically launched during the commissioning of the project, so that investors are not exposed to development or construction risk. Marketing of the investment is targeted locally.

In this model, the community has a financial stake in the development, and takes a share of the profits. However, the community enterprise does not own a physical asset.

Examples of this include:

- Falck/Energy4All: six Falck/Energy4All projects involve a cooperative (e.g. Millennium/Great Glen Co-op). The cooperative invests and gets a return, but doesn't physically own anything. The cooperative’s typical investment is roughly equivalent to 5% of the capital cost of the project. A refinement on this is Boyndie, where the cooperative builds up a cash reserve from the returns from the project to repay the initial investment at the end of the project life. In the other five projects the investors take a slightly lower return and the developer is responsible for repaying the initial investment.

- Drumlin – in this project, the site is sublet to the cooperative by the developer. The revenue share is part of the sublet agreement. The developer obtained planning consents and sold the consented sites, on a sub-lease, to Drumlin. Drumlin owns all the physical assets and raised all the capital for the development. The developer wished to retain a carried interest, which was achieved through the sub-lease. A below-market fee was paid to the developer for the consented sites, and the remainder of the fee is paid through rent. The rent is structured so that it is only paid for above-plan performance (high wind years), making the community return more secure.

Joint venture

A commercial operator and community enterprise work together from the outset to create a joint venture to develop own and manage a renewables scheme which is local to the community. The community benefits from partnering with a commercial developer who carries the risks at the early stages and brings the experience and competency required to take a large-scale renewables project from the drawing board to reality. Part of the attraction of a joint venture arrangement lies in working in partnership. This can benefit community groups, as they do not usually have the necessary time, money, technical expertise or experience of the planning and construction processes to take a large scheme from initial site assessments to the operational stage. This approach can also benefit a developer, in terms of working with a community and receiving its support.

Examples of this include:

- Neilston – Carbon Free (CF) and Neilston Development Trust (NDT) created a Limited Liability Partnership (LLP) in 2009 that was governed by an LLP Agreement. CF agreed to develop a potential wind farm site just south of Neilston. In exchange for NDT supporting the wind farm development (and managing the support of the Neilston community), CF agreed to manage and fund the whole of the pre-consent development process. If planning consent was not received, NDT could walk away without further obligation. If consent was received, NDT could invest up to half of the equity requirement on identical terms to CF. NDT raised 28.3%, and have received over £160,000 in distributions from the wind farm in the last seven months. Governance of the development is shared jointly. While CF has final authority on some reserved matters (which are set out in the terms), this is, to all intents and purposes, a 50–50 partnership.

Direct investment by individuals, through crowd funding

Crowd funding is a general term used to describe investment in projects by members of the public. It can be used as a replacement or addition to more traditional funding routes such as equity investments by business angels, venture capital and bank lending. Crowd funding is not new, but it has developed rapidly in recent years, and is now being used to fund renewable energy projects.

The regulatory controls governing crowd funding have been set by the FCA, bringing greater clarity to the rules regarding the different forms of crowd funding. One form is debt-based debenture funding. This offers individuals the opportunity to own a company's debt.

Debt-based crowd funding platforms tend to have a low minimum investment level. The crowd funding platform Abundance, for instance, has a minimum investment level of £5, and a median investment level of £95, in order to enable the majority of people to participate. Debt-based crowd funding is also due to become ISA eligible from 2015. This will ensure greater accessibility. Only the wealthiest 5% of people in the UK have sufficient spare capital to invest beyond their ISA limit each year. Therefore, ensuring that community investment offers are ISA eligible will allow a wider proportion of people to participate.

Investors in debt-based crowd funding offers can sue the investment issuers under FSMA if the offer is poorly constructed. They also have recourse to the Financial Services Ombudsmen. These extra controls help ensure that investments are sold responsibly, and that there is compliance oversight. The FCA also carries out independent checks on investment offers, monitoring and identifying firms that do not follow best practice.

The FCA has also stipulated that long-term investments being sold to the public should also be tradable on a secondary market. Crowd funding platforms such as Abundance therefore offer a Bulletin Board service, which enables people to sell if their circumstances change.

Examples of this include:

- REG Windpower – High Down. Working with Abundance, REG Windpower has sourced 100% of the finance for its 0.5MW Cornish wind project from the local community and the broader UK community. The debenture has a minimum investment level of £5 and a term period of 20 years, matching the FiT contract. Abundance is also working with REG Windpower on two projects that are currently in the planning system to help mobilise the local community around the investment offer.
- Resilience Centre – Resilient Energy Great Dunkilns. Working with Abundance, Resilient Energy financed 100% of its Great Dunkilns project through the issuance of a 25-year Debenture. The term matches the FiT and the minimum investment was £5. This approach has enabled Resilient to achieve a community dividend payment of

£30,000–£40,000 per MW, while also ensuring that the majority of community members who wanted to invest could do so regardless of wealth. The project was granted planning approval, having received no objections.

Annex B: Organisations that can help

Communities for Renewables CIC: www.cfrcic.co.uk

Community Energy England: www.CommunityEnergyEngland.org

Co-operatives UK: www.uk.coop

Energy4All: www.Energy4All.co.uk

Regen SW: www.RegenSW.co.uk

RenewableUK: www.RenewableUK.com