

60-SECOND SUMMARY

In recent years there has been significant growth in local, community and cooperatively owned energy projects which produce renewable electricity and, in many cases, seek to tackle fuel poverty. A number of municipal and community-owned energy retail supply companies have also been formed. But both kinds of initiative face significant challenges.

More than 5,000 community energy groups have sprung up around the UK since 2008, providing over 60MW of renewable generating capacity. These schemes have benefited localities by reducing energy bills, investing in energy efficiency, providing advice to those in fuel poverty, creating jobs, and contributing over £23 million to community benefit funds.

However, the government's recent reductions in subsidies for solar and wind power, and changes to other financial support mechanisms, have left the future of community energy highly uncertain. A number of new financing models are beginning to emerge, including peer-to-peer lending, pension fund investment and municipal energy company funding. But new community energy projects will need to find business models which don't depend on subsidy for their profitability. At the same time there are continuing challenges to ensure that community energy schemes reach the lowest-income groups.

The primary goal of the new municipal energy companies has been to provide lower prices for consumers, and thereby tackle fuel poverty. Robin Hood Energy in Nottingham, Bristol Energy and Our Power in Scotland have been able to offer lower tariffs than the 'big six' utilities and in this way to stimulate price reductions among their competitors as well. The challenge now is to extend beyond their retail supply role into the provision of energy efficiency services, renewable electricity generation and decentralised heat, and ultimately into demand management. But there remain as-yet unanswered questions about how many municipal energy companies the market can sustain, and how far trust in them will withstand future wholesale price increases.

Given the UK's changing energy system and the opportunities raised by new and more decentralised technologies, a national forum that convenes both local and community ventures could help to develop longer-term strategies to tackle the challenges facing this sector.