

Economic and social benefits of community energy projects

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“Community energy projects” refers to energy projects providing for direct benefits to a group of local shareholders. The opportunity for residents to develop and own green energy infrastructure or to jointly leverage untapped energy saving potential, represents a range of economic and social opportunities such as job creation, business opportunities, lowering energy bills and acceptance of sustainable energy production.

Community energy projects can take various forms depending on existing legal and financial frameworks, geographies and familiarity with renewable energy and energy efficiency initiatives.

However, some recurring features of Community energy projects are:

- Involvement of citizens in developing and running the project;
- Tangible local social benefits;
- Creation of a cooperative or, more generally, a non-corporate structure;
- Elements of decarbonisation;
- Profits benefiting community members through direct distribution or re-investment in other community schemes

A significant increase in the proportion of energy derived - or saved - from community energy schemes offers a range of multiple benefits for consumers such as:

- Direct involvement of citizens in energy-related decision-making;
- Mobilisation of community savings, which constitute a new valuable source of funds and a financial incentive to further promote similar schemes;
- Lower energy bills and easier access to green energy;
- Opportunity to pave the way for widespread use of community power projects thanks to tangible success stories that in turn reduce resistance of renewable energy sceptics.

Renewable energy and energy efficiency investments result in reduced dependence on fossil fuels, improved security of supply and greater price stability while reducing greenhouse gas emissions. Energy savings reduce costs for consumers; greater use of renewable energy sources is expected to provide substantial economic benefits. In particular, according to a study conducted in the US¹, renewable energy projects can

¹ Clean Power Green Jobs, UCS, March 2009

create up to three times the number of jobs per dollar spent versus fossil fuel technologies. Renewables tend to be a more labor-intensive energy source than fossil fuels. A transition toward renewables thus promises job gains. This is even more relevant if we take into consideration the fact that growing automation and industrial consolidation are likely to reduce the number of jobs in traditional energy sectors.

In addition to climate targets and other substantial benefits common to all clean energy solutions, Community Energy projects have several distinct advantages not to be underestimated, as they have the potential to further contribute to economic stability and job creation.

Reduced financing costs: In the early stages, community based renewable energy projects have been able to mobilise development funding to tackle high capital expenditures from numerous sources, including community economic development funding, non-profit grant agencies, environmental organisations, cooperative development initiatives, state and regional incentives etc. Increased availability of risk & return data collected on a local scale, which is one of the hurdles that prevents investors from funding RES projects, will open up the market to private investors. Currently, despite a decline in RES investments in 2012, evidence suggests there is no shortage of potential investment in renewable energy. Rather, there is a shortage of good projects that offer the right combination of risk and return, in particular for institutional investors². Profitable community power energy projects will be able to further attract private investments, thus reducing the role of public financing. Local community power project have huge potential, as they contribute to attract long-term investments which might reduce the financing costs of renewable energy.

Creation of green industrial clusters and increased competitiveness: if local community projects reach “critical mass”, we could also envisage industrial clusters where SMEs follow the same model, thus contributing to the expansion of Renewable Energy schemes and increased national energy security and economic stability. In fact, renewable energy is less volatile than fossil fuel prices³, so that might help create a more attractive and competitive business environment.

Greater economic benefit: Community energy brings a higher level of economic benefit to local communities than corporate-owned developments. The actual impact will vary with every community and project, but generally the higher the local ownership stake, the greater the economic benefit to the local community.

Increased local awareness and involvement in clean energy: citizens’ participation allows shaping a common approach to develop community power projects. Engaging local stakeholders at a highly personal level (i.e. as equity owners with financial interests) may create increased support for RES projects in specific communities (“Welcome In My BackYard”). As such, community projects provide a mechanism to reduce broader social

² Nelson, D. and Pierpont, B., The Challenge of Institutional Investment in Renewable Energy, Climate Policy Initiative, March 2013.

³ Renewable Energy as a Hedge Against Fuel Price Fluctuation, Commission for Environmental Cooperation, 2008

barriers to renewable energy. This will allow for an energy-saving model that can easily be replicated across various regions.

Strengthened communities and municipalities: communities will develop expertise in Renewable Energy solutions, form new relationships and be encouraged to shape additional collaborations. Small-scale projects, which are easier to manage as opposed to bigger infrastructures, will result in positive publicity for local municipalities that can "lead by example". This might result in national and international twinning schemes amongst "green municipalities" to exchange views and further contribute to the shift towards renewables.

Better standard of living for local communities: profits can be re-invested within the community or wider region for charitable or socially-oriented investments focusing on inclusion, poverty, general quality of life, strengthening of community relationships, etc.

Filling the coffers: by controlling the production cycle of energy within the region, the capital will stay in the area with multiplication effects on public and private finances. Municipalities as well as members of the community will be able to generate savings and will have more disposable funds to invest. This can open doors to community investment funds or even development of community banking in regions, thus increasing local financial independence.