Community Power Agency
Submission to the Clean Energy Finance Corporation Review Panel

8 December 2011

The Community Power Agency is a social enterprise set up to support the development of community owned renewable energy projects across Australia. It was founded by Nicky Ison and Jarra Hicks, two of Australia's leading experts, practitioners and researchers in the field of community renewable energy.

The Community Power Agency is currently working with five community groups in NSW and Victoria who are in the process of establishing community owned renewable energy projects. While still in early stages these solar, small hydro and wind projects are planned to supply a significant portion of their local township or shire's energy needs and bring many benefits to their communities. As community projects, they inherently have a broad base of community support and, thus, act to build understanding and support for renewable energy generally. As community projects, they open community participation in renewable energy investment at a scale not possible at a household level and in a way not facilitated by corporate projects.

Internationally there are hundreds if not thousands of operational community renewable energy (CRE) projects. In the UK there are over 300 CRE projects. In Denmark, community wind guilds are credited as one of the key factors in the rise of Denmark's world-leading wind industry, now supply 3.5% of national electricity needs. In Germany and Austria, citizen wind farms and bio-energy plants are becoming increasingly common, with over 200 bioenergy villages in operation or development in Germany alone. North America is also seeing a rise in CRE projects, with citizens and farmers now owning 20% of installed wind in the country.

The CRE sector faces several difficulties in the current Australian context that the Clean Energy Finance Corporation (CEFC) can help to address. There are a number of overseas government initiatives that have been successful in efficiently supporting the development of a CRE sector that the CEFC can draw on, to address these challenges. These include:

1. The Scottish Government's Community and Renewable Energy Scheme (CARES), which started as a successful grant program and in 2011 converted to a loan program which funds the early stages of developing community and farmer owned renewable energy projects. More information about this scheme can be found at www.communityenergyscotland.org.uk/cares.asp. Also attached to this submission is the Feasibility Report for the CARES Loan Scheme. While the Australian context differs to the Scottish context, the report outlines a model of how and why a community renewables loan scheme can and should be implemented.
2. Ontario, Canada, also has a development funding scheme that was introduced in late 2009. This scheme provides a one-off grant of up to $200,000 to CRE feasibility studies. CRE projects are also supported by a differentiated feed-in-tarrif, where community projects get a premium per kwh over and above that provided to corporate projects. They also offer low-interest-loan guarantees to CRE projects.

It is from this Community Renewable Energy sector perspective that we answer the following submission questions.

1. How do you expect the CEFC to facilitate investment?

The CEFC has the opportunity to leverage tens if not hundreds of millions of dollars of community investment in renewable energy through providing finance options to support community renewable energy projects. Through providing access to finance for projects in the pre-feasibility and feasibility stages, the CEFC will enable CRE projects to overcome current cash flow barriers. Currently, CRE projects face funding challenges

The provision of loan funding to community renewable energy projects could be the basis of a self-financing revolving loan fund, to support the set up of community renewable energy projects in perpetuity.

The provision of loans by the CEFC to community renewable energy projects will provide greater credibility to this nascent industry and thereby act to attract the trust of other investors. This funding will become less important over time, as the CRE sector becomes more established and banks and community investors become familiar with the CRE model. Thus, funding at this stage in sector development is strategic and necessary to support its rapid uptake that will facilitate long-term self-reliance.

2. **Are there principles beyond financial viability that could be used to prioritise investments, such as emissions impact or demonstration effect?**

Well designed community renewable energy projects with some early stage support, as Hepburn Wind, Australia's first community renewable energy project shows are financially viable. However, this is only one of many reasons to undertake such projects, that the CEFC should take into account. Other key benefits and principles the CEFC should take into account include:

- **A social licence to operate** – the community engagement process undertaken, should provide evidence that the local community around a renewable energy project is supportive of the projects development.

- **Community benefit and regional development** – clean energy projects should provide financial, social and employment benefits to the community within which they operate. This could include:

    - The ability for local people to invest in and thus receive financial benefit from the project;
    - A proportion of the annual profits to be put into a community benefit fund, which the community can apply to, to fund community projects
    - Employment of local contractors particularly in the construction phase
    - The creation of local jobs in the operations phase
    - Educational and involvement opportunities for the local community

- **Greenhouse gas emission reduction**

An example of the principles or criteria by which community renewablesupport funding is distributed can be found in the Welsh community renewables support program Ynni'r Fro. To be eligible for funding under Ynni'r Fro, community renewables projects must be able to employ at least 1 part time employee within the first 2 years of completion and produce over a specified amount of electricity. For more information see www.energysavingtrust.org.uk/wales/Take-action/Community-projects/Find-funding/Ynni-r-Fro.

3. **What are the opportunities for the CEFC to partner with other organisations to deliver its objectives?**

By making funds available to clean to CRE projects, CEFC could choose to coordinate this program themselves, or to outsource this service provision and assessment to a CRE support organisation, like the Community Power Agency or Embark.

4. **How could the CEFC catalyse the flow of funds from financial institutions?**

Hepburn Wind shows that community renewable energy projects can leverage new and existing funding sources at a rate of $11 community investor and bank debt funding for every $1 of government funding.

While not a financial institution per se, community investors are an under-utilised and untapped financial resource. Community renewable projects are uniquely positions to be able to access this pool of investors in way not possible by sectors of the renewable energy industry, Collaborative funding arrangements between the CEFC and community projects will build community investor confidence and willingness to invest. Further, community renewables projects are able to access philanthropy and local and ethical financial institution contributions, for example credit unions and Bendigo Bank, that corporate projects are not able to do.

5. **What experiences have firms in the clean energy sector had with trying to obtain finance; have term, cost or availability of funds been the inhibitor?**

The biggest financial barrier CRE projects face is accessing the funding required in the early stages of a project to take a project from an idea to a tangible plan. This includes funding for the pre-feasibility, feasibility and planning approval stages. These stages are the most risky for any renewable energy venture, however unlike private enterprise or even government bodies, community actors do not typically have large reserves of capital to draw on.

Currently, in Australia there are very few sources of funding available for the early stages of a community renewable energy project, this is a significant gap. Further, a relatively small amount of money in the form of a government grant or loan has been shown to make a significant difference to the development of vibrant community renewable energy projects and the broader sector as the experience of Hepburn Wind as well as Scottish, Welsh and Canadian programs have found.

6. **What non-financial factors inhibit clean energy projects?**

There are a range of institutional barriers that inhibit the development and implementation of clean energy projects. The three major inhibiting factors are:

- Poorly designed and restrictive planning policies which prevent particularly wind
- Negotiating grid connection agreements between community renewable energy projects and district network service providers.
- Negotiating Power Purchase Agreements. Please also se

For a full analysis of institutional barriers to clean energy projects see the report – Institutional Barriers to the Intelligent Grid, published by the University of Technology, Sydney's Institute for Sustainable Futures. This report can be found at -
http://igrid.net.au/sites/igrid.net.au/files/images/Inst%20Barriers%20IGrid%20Working%20Paper%204-2%20%20February%202011.pdf

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