Promoting the renewable energy generation in rural areas – The role of the Rural Community Energy Fund

ENERGY TRANSITION #6 - Transitions to local energy systems

Tuesday 16th March 2021
The Rural Community Energy Fund (RCEF) and policy context

**2009 RENEWABLE ENERGY STRATEGY**
Key targets for energy supply from renewables

**2011 RURAL ECONOMY GROWTH REVIEW**
Announcement to promote the development of community-scale renewable energy projects in England

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**Policy Aims**
- Support rural communities (max. income from renewables)
- Make progress against renewable targets
- Promote rural growth and job creation

**Stages of support**
- **Stage 1**: grant for feasibility study
- **Stage 2**: unsecured loan to cover further investigation (e.g. EIA, permit applications, etc)

**Eligible technologies**
- Hydropower
- Solar photo voltaic
- Solar thermal
- Wind turbines
- GSHP / ASHP
- AD, biomass, bio liquids, biogas and bio-CHP
- Low carbon/renewable heat networks
- Gas CHP.
Project scope and approach

Project Aims
1. Assess funding process end-to-end
2. Assess how RCEF used to gain planning permission
3. Model projects future costs and benefits
4. Evaluate economic, social and environmental impacts to rural communities

Phase 1 – Defining analysis framework
- Intervention logic / theory of change
- Social theory of change
- Initial fieldwork / consultation with stakeholders to test frameworks

Phase 2 – Model development
- Review existing economic appraisal model
  - Social return on investment (SROI) module
- Peer review

Phase 3 – Ongoing monitoring and ‘process’ evaluation
- Telephone and face-to-face interviews
- Comparison to Phase 1 expectations
- Analysis of ‘process’

Phase 4 – Ex-post evaluation
- Analysis of monitoring and financial data
- Comprehensive cost-benefit analysis (incl. SROI)
- Telephone interviews
- Additionality assessment

3 year timeline (2014 – 2017)
Limitations

- At the time of the evaluation, RCEF was still live
- Feasibility studies presented viability at the time study was undertaken

- Interviews were not achieved with all projects
- Modelling only captured narrow range of environmental impacts

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50 feasibility studies/projects (213 opportunities)

- 33 successful telephone interviews
- 17 projects no interview

- 23 active or postponed (unlikely to install), or cancelled
- 6 complete
- 4 active / likely to complete
- 4 projects complete

14 successful projects **included in final assessment** (23 opportunities)

13 no evidence of installation
Outcomes and impacts (to mid-October 2016)

Outcomes – Stage 1
- 50 Stage 1 feasibility studies accepted, identifying 213 ‘opportunities’
- 58% opportunities for renewable electricity
  - Most popular: Solar PV
- Of 213 opportunities considered, 23 (across 14 projects) assessed as complete / likely to be successful
  - 11.6 MW renewable electricity and 2.3 MWth renewable heat capacity

Outcomes – Stage 2
- 9 Stage 2 loan applications made:
  - 4 awarded, 3 not progressed by applicant, 1 declined and 1 currently in assessment

Social return on investment
✓ Knowledge generation often concentrated amongst key players who then use this to develop interest across the community.
✓ Focus for stimulating interest in community and renewable energy
✓ Vehicle for community participation
✓ Helped build confidence of leaders and other stakeholders in specific ways
✓ Instigated and developed a number of fruitful relationships between organisations and community groups
✓ Cooperative working between community projects in different areas, leading to the spread of ideas and good practice

CBA – Rural communities
- Substantial net benefit over lifetime
- Key benefit: receipt of supporting subsidies (£39m in subsidy payments, plus £8m in energy bill savings)
- Relative to capex of £24m and opex of £15m
- Plus SROI = £15.6m

CBA – ‘UK plc’
- Scheme also delivers net benefit over lifetime (although smaller than rural communities)
- Subsidy payments no longer included
- But environmental benefits through reduction in GHG / air pollutant emissions
- 58 construction jobs and 22-48 jobs associated with ongoing operation
Explanatory factors – barriers and catalysts to success

**Barriers**

- Stage 2 loan funding deemed expensive and/or *loan financing as unattractive*
- *Changes to government policy and subsidy regime* and impact on certainty of being able forecast revenue
- Landowners may not want to be tied in for long periods of time, or settle for relatively low rents
- *Public opposition* to wind projects due to landscape impacts
- *Lack of knowledge* about renewable energy. Sometimes overcome through development of partnerships and contacts, but led to many sites being missed
- Community groups may have a *fear of publicity* out of concern that a project may not go ahead

**Catalysts**

- **Support of the Local Authority** is deemed positive - land use planning but also building a reputation locally
- Some actions helped speed up the process e.g. *pre-accreditation to lock in FiT rates*
- Finding an *investor who is a good fit* can be a major catalyst
- Previous *knowledge and interest developed through LEAF and similar projects* can help to generate support and provide a catalyst to mobilising the community
- Applications are made and projects managed *by the community organisation itself*
**Evaluation conclusions and policy recommendations**

### RCEF HAS BEEN SUCCESSFUL IN ACHIEVING ITS AIMS

- Previously un-recognised demand for renewables unlocked
- Additionality suggests majority would not have gone ahead without RCEF
- Outcomes achieved against a challenging subsidy / planning backdrop

### FINANCIAL AND KNOWLEDGE BARRIERS HAVE BEEN SOMEWHAT TACKLED, ALTHOUGH THEY REMAIN LARGE BARRIERS TO FUTURE UPTAKE

- Many projects based on vision / energy / capacity of a single individual or small group
- Has facilitated up skilling and confidence building re renewables
- Concerns raised over general accessibility

### RCEF DELIVERED A NET BENEFIT, BOTH FOR RURAL COMMUNITIES AND UK PLC

- NPV cashflow to rural communities is estimated to be around £10.0m
- Majority of proceeds likely to be put to work locally
- Jobs created and some captured by local community
- SROI demonstrates wider value to rural communities (community engagement, volunteering and development of new social enterprises)

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**Policy recommendations**

- Remain technology-neutral
- Include measures less reliant on subsidy (e.g. EE)
- Reconsider Stage 2 design
- Preliminary funding / capacity building
- Additional non-financial advisory support
- Promote awareness within LAs
- Additional promotion and community engagement generally

**RCEF and its results depend critically on Government support for renewables, and this will continue to be a critical factor for any future scheme.**

**What happened next…..**

- RCEF continues to provide funding for community renewable schemes following a relaunch in August 2019
- Stage 2 funding reduced but now administered as a grant
- Opened to considering bids from multi-technology approaches (e.g. EE, storage, EV charging….)
- LEHs have LA as accountable bodies for funding and representatives on their boards