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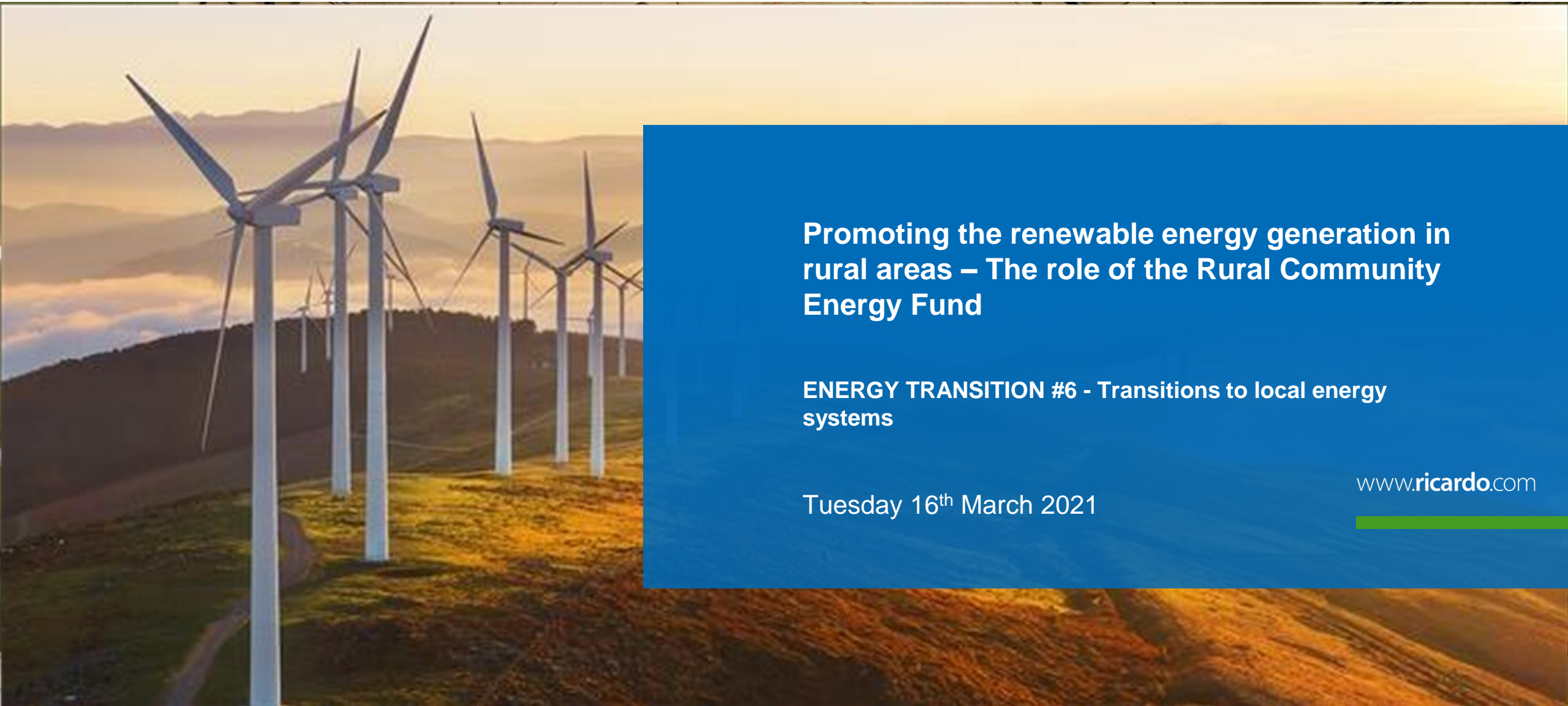


## Promoting the renewable energy generation in rural areas – The role of the Rural Community Energy Fund

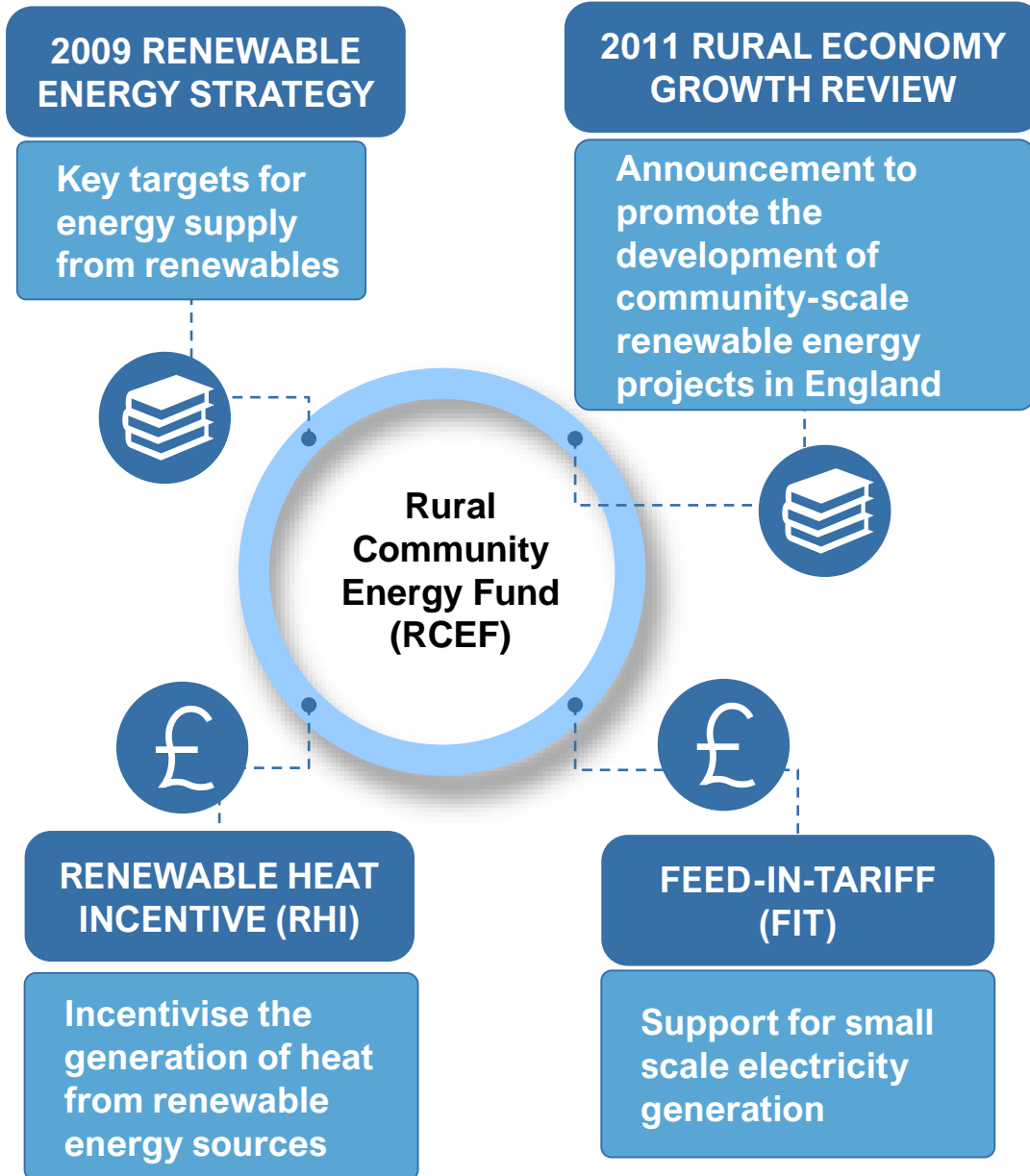
**ENERGY TRANSITION #6 - Transitions to local energy systems**

Tuesday 16<sup>th</sup> March 2021

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# The Rural Community Energy Fund (RCEF) and policy context



## 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 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

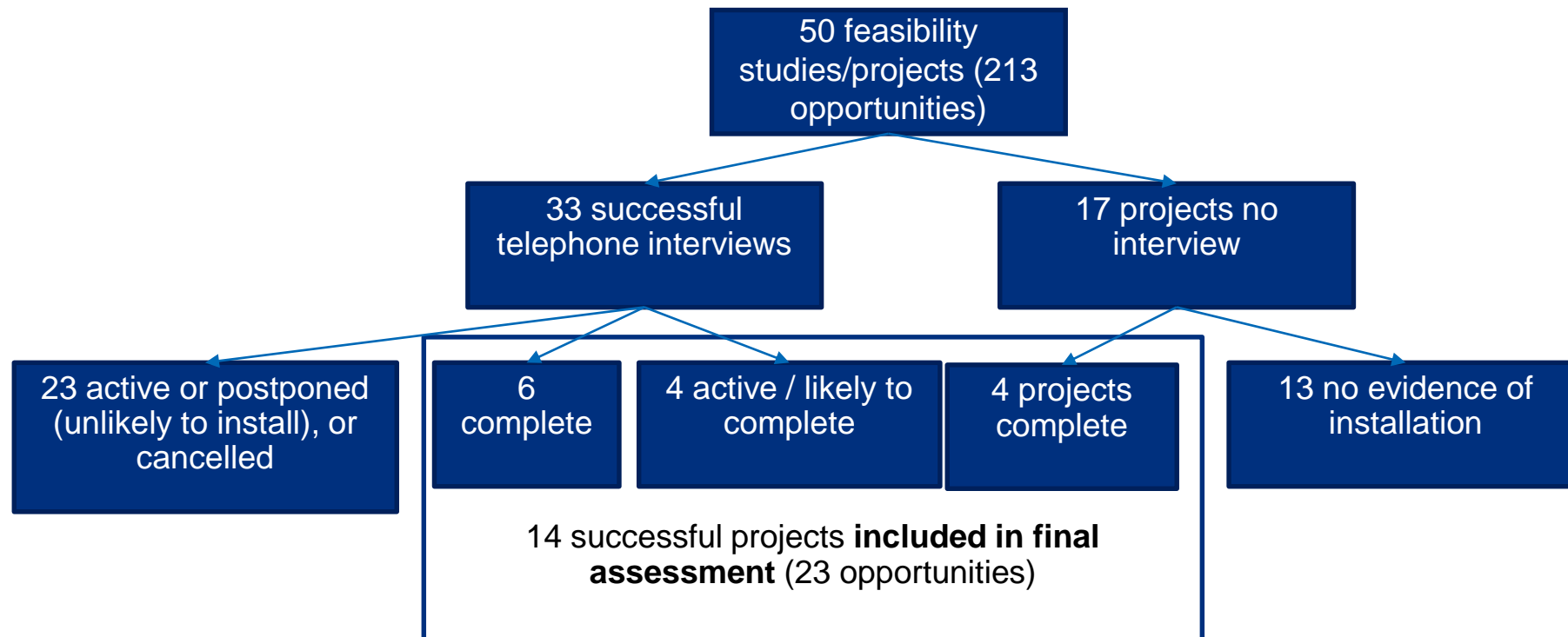
- Analysis of monitoring and financial data
- Comprehensive cost-benefit analysis (incl. SROI)
- Telephone interviews
- Additionality assessment

**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



## 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

## 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**

## 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)



## 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