

October 2025



Community Energy England representation to the Treasury for the Budget 2025

NB recommendations in the text are in **bold blue text**

Introduction to Community Energy England

1. This is a response by Community Energy England (CEE), which represents more than 320 community energy and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings, to helping households combat fuel poverty.
2. Our vision is of a thriving community energy sector integrated into and truly powering a fair, zero-carbon energy system.
3. Community energy refers to the delivery of community-led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.
4. The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community and social benefit.
5. We believe that these motivations should be shared by all working on policy and resourcing for the urgent 'system change' necessary for a thriving future. We are grateful that this government understands the vital importance and power of putting people at the heart of the energy transformation.

Summary of Representation (max 250 words)

1. The government has committed to driving rapid growth for community energy. It has recognised the importance of cooperatives in the economy, pledging to double the size of this sector. Two major policy programmes, the Local Power Plan and the Warm Homes Plan, are in the pipeline. CEE applauds the government's ambition and looks forward to supporting the government to swiftly and effectively implement these policies.

2. We believe that in order to meet these ambitions, greater focus is needed on capital and development funding for community energy to meet the government's 8GW local and community owned energy target along with fostering public and community energy partnerships.
3. The huge potential economic and social value of community-led delivery could be better recognised, for instance by reexamining its current solar on schools and hospitals programme to ensure that a significant opportunity for community collaboration and public participation isn't missed.
4. For future local energy projects, community energy could be given a far greater role by the Treasury, DESNZ and GB Energy. This would not only represent better value for money per megawatt but would also crowd in more community investment, creating a pipeline of future projects.
5. There are also a series of enabling policies set out in the closing section of this representation which would help to get the most out of the Local Power Plan once it is implemented.

Representation

Funding Local Energy Projects

1. The government has recognised the value of community energy. Ministers have stated that they want GB Energy to "oversee the biggest expansion of community energy in British history". In order to achieve government targets the community energy sector needs to return to doubling in size this year and every year to 2030. Driving growth for the sector is a key plank of the DESNZ Secretary of State's Statement of Strategic Priorities for GB Energy.
2. The Local Power Plan could be transformative not only for the community energy sector but for the UK's energy sector as a whole. The Warm Homes Plan could equally provide a strong framework for community energy to build on its impressive track record of delivering energy efficiency, advice and heat projects. We look forward to seeing the details of these policy programmes once they are published.
3. However, interim measures before the introduction of these policies are falling short of what is needed to provide a strong platform from which the community energy sector can grow. Some funding could be used more effectively to help build this platform while helping to meet the government's local energy targets more swiftly.

4. Earlier this year, £180m of capital grants was announced for rooftop solar projects on schools and hospitals. While we applaud the ambition this funding represents, more progress could be made towards delivering the government's commitment of 8GW of local and community owned clean energy if it were directed differently.
5. If the funding were to embed collaboration between the public sector and support community energy organisations to develop projects on schools and hospitals, it would have leveraged community investment to install many more megawatts of rooftop solar. This would lead to more projects down the line and deliver huge social, economic and public engagement benefits in the local community.
6. The initial announcement of £180m for solar rooftop projects also carried news that an additional £5m had been allocated to the Great British Energy Community Fund. To achieve the pledge to double the size of the cooperative and mutuals sector, these funds could be rebalanced to support a greater share of community-led projects (Cooperatives UK's recent [Cooperative and Mutuals 2025 report](#) sets out in some detail the value of partnering with and investing in community-led projects and organisations for the government).
7. Direct capital funding that does not set out a role for communities for projects that could be delivered by or in partnership with communities is not the most efficient way to decarbonise local energy systems. Instead a blend of capital and development funding for communities should be prioritised alongside funding for projects that involve community collaboration. By tweaking the approach to funding for local energy projects in this way, the government stands to make faster progress towards its clean energy ambitions.
8. Community energy has an impressive track record of delivery. The sector is growing. It needs policy and funding certainty that will allow it to continue gearing up to meet the government's 8GW Local Power Plan target. Funding for community energy and partnership projects would deliver better value for money in megawatts, social, economic, community co-benefits, and real public participation, than by using direct capital grants.
9. A consistent, long-term funding commitment and framework will get the best results from the community energy sector.

Enabling policies for the Local Power Plan

Alongside the main funding for the expansion of community and municipal energy and policy programmes such as the Local Power Plan, there are a number of enabling policies that are needed. All will need funding to a greater or lesser extent. For a more detailed analysis of the impacts and benefits of these proposals, please see CEE's previous [Budget Representation February 2025](#).

10. **Fund a Rural Gigawatt voucher scheme that emulates the success of the Rural Gigabit scheme, to encourage community heat/retrofit/flexibility/Smart Local Energy System projects** in areas that are of no interest to the large corporates or are not covered by existing government schemes.
11. **The renewable heat incentive should also be reopened** to give more households access to upgrades that will help them to protect against the kind of future fossil fuel price shocks that have driven up energy bills over the past two years.
12. **Reinstate EIS and SEIS tax relief eligibility to community energy generation projects** to help projects kickstarted by the Community Energy Fund and the Local Power Plan schemes to actually raise capital.
13. **Open up ISAs to community shares and bonds.** These are currently available under IFISAs but this is a niche product. This would open up investing in coops and mutuals to ordinary people, show that they offer good returns and help grow the sector.
14. **Make the 0% rate of VAT on Energy Saving Measures permanent beyond March 2027.**
15. **Energy efficiency retrofit work should also benefit from 0% VAT** e.g. the installation of heat-pumps, insulation, solar panels, etc.
16. **Business rate relief or full exemption for community energy** in recognition of its strong social and community benefits.
17. **Initial funding must be provided to kickstart a national programme of Local Area Energy Planning (LAEP) as part of NESO's Regional Energy Strategy Planning (RESP)**

Removing barriers

18. **Urgently find a long-term solution to the accounting rules problem which caused the DfE's 'pause' on solar with PPAs on schools over the summer and continues to damage growth in the sector.**
19. In July 2025 the Department for Education put in place a 'pause' on approving applications for community energy organisations for leases with power purchase agreements (the standard community energy arrangement with schools that saves them money and guarantees a well installed and maintained, safe installation and lots of community engagement). Urgent cross-departmental work and lobbying created a short term solution to enable installations during the summer holiday window, which avoided some of our members going out of business.
20. The uncertainty remains and is damaging confidence and momentum in the sector which is needed to develop these long term, capital intensive projects. Schools and community energy organisations are confused and disempowered. There have been reported cases of the NHS pulling out of projects in case the problem extends to their 'public estate'. We have been told that some legal firms are advising that community energy is not worth progressing as 'it is no longer viable'.
21. The interpretation of the accounting rules that classes all leases and PPAs as borrowing, thereby contributing to the national debt, is not adopted anywhere else in Europe. The 'low value leases' for roof-space or land area create an asset, not a liability, for the school (or public sector body) which saves them large amounts of money. There are a few reasonable conditions (which have historically been seen as reasonable by the DfE) to protect the business model of the community energy organisation. The panels (still a significant asset) are often gifted to the school at the end of the project life.
22. We are aware that this is not directly Budget-related but it needs urgent attention from the Treasury.

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Further Information:

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals more than 320 organisations. Many of the member organisations are community energy groups, but membership extends across a wide range of organisations that work with and support the community energy sector.

www.communityenergyengland.org