

Comprehensive Spending Review and Budget 2021

Community Energy England representation

September 2021

Contents

[Introduction to Community Energy England.](#)

[Historical context](#)

[Recent context](#)

[Why Community Energy is essential to achieving net zero and should be supported by government.](#)

[Community Energy England Recommendations and how they meet the government's spending review objectives.](#)

[General principles for the Comprehensive Spending Review](#)

[Meeting the policy aims of the Comprehensive Spending Review](#)

[CONTACTS](#)

[FURTHER INFORMATION](#)

Introduction to Community Energy England.

1. This is a response by Community Energy England which represents 275 community energy groups 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 strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable 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 benefit.
5. We feel that all efforts of government should share these primary motivations and ensure that whatever else they achieve they also prioritise these goals.

Historical context

6. Community energy grew exponentially, doubling every year, between 2014 and 2017. Since then policy changes have removed just about every support for the sector, including the removal of ROCs, the Feed-in Tariff, Export Tariff, the Urban Community Energy Fund and Tax Relief, punitive business rates on roof-top solar, planning constraints on onshore wind and increasing VAT on solar panels, batteries and 'energy saving measures' from 5% to 20%. CfDs have recently been reinstated for large commercial developers but not community energy. Community energy now struggles to make an investment case for projects. With the right fiscal, financial and policy support it will be able to grow exponentially again as our 2030 Vision¹ and the Future of Community Energy² report show, powering 2m+ homes, delivering millions of tonnes of carbon saving, 8,700 jobs and billions for the economy. Community energy is eager to realise its huge potential to be a local powerhouse, and the government's indispensable, trusted, local ally for the energy transition.

Recent context

7. Following the **Environmental Audit Committee's** April 2021 inquiry into community energy, their letter of recommendations to government³ stated: *"Due to the urgency of the climate crisis and the vital roles communities will have to play in reaching net zero, it is essential that a timely solution to support the long-term growth of community energy across the UK is found."* The Comprehensive Spending Review and the Budget are the opportunities for this. (EAC made a specific recommendation to HMT to 'reinstate Social Investment Tax Relief for investments in community energy'). The Committee made specific recommendations but also these general ones:
 - + Remove barriers to the development of community energy
 - + Emphasise the importance and vital role of community energy in achieving net zero in the forthcoming Net Zero Strategy
 - + Resource "practical support measures to harness the potential of community energy."

¹ <https://communityenergyengland.org/pages/2030-vision>

² <http://wpieconomics.com/site/wp-content/uploads/2020/01/Future-of-Community-Energy-20200129-Web-Spreads.pdf>

³ <https://committees.parliament.uk/publications/5718/documents/56323/default/>

8. The Secretary of State's response to the Environmental Audit Committee⁴ promised that the Net Zero Strategy would set out his 'future plans for community energy'. At BEIS' request we worked with our members to come up with policy recommendations⁵ (and a supporting evidence base⁶) but we have no way of knowing which of these policy recommendations have been adopted by BEIS. We will therefore make representations in support of all of those that need Treasury funding in the table at para 24 below, in which we also indicate which CSR policy aims the recommendations meet. We also make a detailed case below as to why Community Energy is a good investment for government spending at 10.ff. And some General Principles that we think the Spending Review process should observe at 25.ff.
9. We urge you to look favourably on any proposals for support for community energy that BEIS may put forward.

Why Community Energy is essential to achieving net zero and should be supported by government

10. **The government will fail to achieve net zero without the buy-in and participation of people**, as the Committee on Climate Change Net Zero report makes clear, not least because behaviour change is essential for 62% of their recommended interventions for reaching zero-carbon. They state ***"It will not be possible to get close to meeting a net-zero target without engaging with people or by pursuing an approach that focuses only on supply-side changes..."*** This fatal flaw in government policy compromises 'ambition' and the very viability of supposedly 'world-leading policy' for COP26.
11. The report continues: *"Some of the difficult decisions that will be required (...) will only be possible if people are **engaged in a societal effort** to reach net-zero emissions and understand the choices and constraints...There is currently no government strategy to engage the public in the transition to a low-carbon economy. This will need to change."* Additionally the UN has identified a **30% 'Emissions Gap'**⁷ attributable to people and communities not being involved in net zero. Community energy is the government's best local ally to engage people in the *societal effort* of the net zero transition.
12. **Community energy harnesses local people's passion**, expertise, knowledge and capital to make a direct contribution to the UK's energy system and response to climate change, while also increasing community cohesion and resilience, and delivering a wide variety of social and community benefits.

⁴ <https://committees.parliament.uk/publications/6327/documents/69506/default/>

⁵ <https://docs.google.com/document/d/1e4ivnQqy0s4utsDkmkWWgmzSlwaxZWwTVTtFmDDlxlk/edit?usp=sharing>

⁶ https://docs.google.com/document/d/1Fe18b-DK2aQKxXMaUuWHLHG_XhhrhvFV9juH58UfDsw/edit#

⁷ <https://www.unep.org/emissions-gap-report-2020>

13. **Community energy is a key “facilitative lever”** (the Treasury Net Zero Review Interim Report p49) to the *societal effort* that the report identified: the UK *“needs to go much further to achieve net zero. This will be a collective effort, requiring changes from households, businesses and government. It will require substantial investment and significant changes to how people live their lives.”* ‘Awareness’ and ‘greater access to information’ are not enough (nor are ‘price signals’) as you outline in the section on ‘Static non-price failures’ on p 86. The report should read: *“It will require substantial investment **in encouraging and enabling the significant changes to how people live their lives.**”* That investment should be primarily focussed on remobilising community energy to grow exponentially again.
14. **Community energy can engage the local community in being active participants** in the energy transition, as investors, innovators, consumers and producers. Community energy is 4-5 times more effective at engaging people on energy efficiency than commercial organisations.⁸
15. **Government, the regulator and networks agree that the future of energy is local**, renewable, zero-carbon, flexible and smart. The net-zero transition will require local innovation in energy demand and supply. Community energy organisations are trusted, knowledgeable, well-placed and highly motivated to advocate for and deliver the change and innovation necessary to achieve net zero.
16. **Community energy has a long track record** of installing community-owned renewable energy (often on uncommercial sites), energy efficiency and fuel poverty work and, increasingly, community embedded innovation projects such as supplying cheaper local energy, district heat pumps and flexible energy with battery storage.
17. **Community energy projects deliver 12-13 times the community benefit** of commercial energy installations⁹. A recent report¹⁰ showed that community wind installation in Scotland delivered 34 times more community benefit than equivalent commercial installations (which are required to deliver some community benefit.) A Bristol University report¹¹ calculates conservatively a 9-10:1 social return on investment on community energy efficiency and fuel poverty work. Benefits include additional renewable energy funded by non-commercial capital; money staying local with multiplier effect benefits; new future-appropriate jobs and skills training; greater community cohesion and resilience; locally specific demand reduction, energy efficiency and fuel poverty work which brings carbon, well-being, health and cost saving benefits.

⁸ DECC commissioned report ‘Community groups and energy efficiency’ <https://bit.ly/2ErXOj0> para 3.3.3 for example.

⁹ <https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020>

¹⁰ <http://www.pointandsandwick.co.uk/wp-content/uploads/2021/06/Financial-comparison-of-private-and-community-wind-farms-report-FINAL-1.pdf>

¹¹ <https://www.bristol.ac.uk/media-library/sites/law/research/Nolden%20et%20al.%20BLRP%20No.%202%202021.pdf>

18. **Community energy generated more than £6m in local economic benefit** in 2020 – one of our most difficult years ever¹². These funds flowing back to communities could increase exponentially, hand in hand with new renewable energy, increased energy efficiency and energy system innovation. During the pandemic more than £200k was mobilised for immediate relief work, as well as practical support.
19. **Community energy yields high returns.** In 2020, £30.2m was invested in community energy projects, money that otherwise may not have been invested in the energy transition. Investment to development cost ratio is high - in excess of 8:1. In one community energy fuel poverty project a 6:1 financial return to residents over 2 years was identified, in terms of reduced bills. The benefit is of course continuing and has multiple social dimensions too.
20. **One million homes powered by community energy** by 2020 was envisioned by the government's Community Energy Strategy in 2015. Since then, virtually every policy change¹³ has made it more difficult for the sector to achieve its potential and facilitate local benefits as our **State of the Sector 2020 report**¹⁴ shows. But our **2030 Vision**¹⁵ envisages 12-20x growth, powering 2.2m homes, supporting 8,700 jobs, saving 2.5m t of carbon and adding £1.8bn to the economy – a sector ready to scale!
21. **Supporting community energy is popular.** A poll by Co-op Energy found that 82% of respondents, a record high, think the Government should do more to help local communities generate their own energy.
22. **To fulfil community energy's potential as a grass-roots powerhouse for the energy transition** the **government must provide some policy and financial support** to enable it to grow exponentially again, harness local human and financial capital, drive forward the urgent energy transition to net-zero and access many millions of pounds of community benefit funding.

¹² <https://communityenergyengland.org/pages/state-of-the-sector>

¹³ This includes the removal of ROCs, the Feed-in Tariff, Export Tariff, the Urban Community Energy Fund and Tax Relief, punitive business rates on roof-top solar, planning constraints on on-shore wind and increasing VAT on solar panels, batteries and 'energy saving measures' from 5% to 20%.

¹⁴ <https://communityenergyengland.org/pages/state-of-the-sector>

¹⁵ <https://communityenergyengland.org/pages/2030-vision> see also independent report <http://wpieconomics.com/publications/future-community-energy>

Community Energy England Recommendations and how they meet the government's spending review objectives

23. We fully support the stated aims of the Spending Review. We contend that achieving net zero should be a top priority and an overarching goal within which all other policy priorities sit because if we fail to solve climate change any benefits gained by other policy changes stand to be vitiated by catastrophic climate change which could precipitate societal and economic collapse. The scale of the recovery challenge is equalled only by the scale of the climate mitigation (and adaptation) challenge that we face - thus creating an opportunity.
24. In our specific recommendations below we will refer to aims as numbered below.
- (1) Ensuring strong and innovative public services - making people's lives better across the country by investing in the NHS, education, the criminal justice system and housing;
 - (2) Levelling up across the UK to increase and spread opportunity; unleash the potential of places by improving outcomes UK-wide where they lag and working closely with local leaders; and strengthen the private sector where it is weak;
 - (3) Leading the transition to Net Zero across the country and more globally;
 - (4) Advancing Global Britain and seizing the opportunities of EU Exit;
 - (5) Delivering our Plan for Growth - delivering on our ambitious plans for an infrastructure and innovation revolution and cementing the UK as a scientific superpower, working in close partnership with the private sector.

We also devote a section at 45ff to looking in more detail at each policy aim in turn.

#	Spending review recommendation	Costing	CSR objectives met and comments
1.	<p>A National Community Energy Fund when the Rural Community Energy Fund ends in April 2022, of £100m over 3 years (including funding for innovation projects targeting government 2030 decarbonisation targets and heat projects, and capital costs), progressively increasing each year (£20m, £30m, £50m). The funding should be ring-fenced to be spent over at least 5 years. It should be open to urban and rural projects. It should offer:</p> <p>a. Grants for feasibility and project development for</p>	£100m over 3-5 years: admin costs	<p>Objectives (3) (see above para 10 ff.)</p> <p>(2) enabling local leaders; creating new jobs, retraining for a green recovery especially in deprived communities; increasing local resilience; delivering up to 34 times the social benefit of commercial</p>

	<p>generation and heat projects to enable the scale up of existing business models.</p> <p>b. Innovation funding to test and develop new business models for community heat, retrofit and smart energy systems.</p> <p>c. Capital costs (as with the London Community Energy Fund¹⁶) ⅓ for generation projects and ⅔ of capital costs for heat projects. (Until the current inequity between electricity and gas prices is rectified by equalising or socialising policy costs, conversion to heat-pumps requires this level of subsidy to be viable.) It should include</p> <p>d. a support mechanism for community heat, to replace the non-domestic Renewable Heat Incentive, which values the vital role in community energy in enabling the take-up of new technology. It should support the smaller community-scale schemes, including those which do not use a heat network, which are excluded from the Green Heat Network Fund whose effective minimum size of network is 150 households. This is, in many areas, too large - for example in rural communities which are most likely to be using high-carbon fuels and to be experiencing fuel poverty. In order for pioneering community heat projects to succeed they need long-term support, which might take some or all of the following forms:</p> <ol style="list-style-type: none"> 1. Provision for smaller heat networks within the Green Heat Network Fund 2. Clean Heat Grant to cover the non-domestic or shared domestic sectors (both currently excluded) 3. A revitalised non-domestic Renewable Heat Incentive which could be restricted to community energy 4. Reallocation of policy costs from levies on electricity bills to general taxation or other fuels in order to make heat pumps financially viable against oil or gas heating 		<p>energy installations; improving energy efficiency with at least 10:1 social return on investment.</p> <p>(5)CE can deliver huge benefits to local economies, is central to energy system innovation providing 'community test-bedded' trials which are hugely sought after by commercial partners.</p> <p>The Urban Community Energy Fund was deleted in 2016 with £8m unspent - which Kwasi Kwarteng acknowledged when we met him in Feb 2020.</p> <p>The Environmental Audit Committee recommended: <i>'the reinstatement of the Urban Community Energy Fund, or a combined fund with the Rural Community Energy Fund when it ends in 2022'</i></p>
2.	Energy Efficiency and Retrofit Funding with Community	Zero. It is about	(3) The drive towards net zero must start with energy

¹⁶ <https://www.london.gov.uk/what-we-do/environment/energy/london-community-energy-fund>

	<p>Energy participation designed in. It must be commensurate with the scale of the challenge and deliver for genuinely vulnerable people and hard to treat properties. Ensure approach is long-term, strategic, funds R&D, supply chain, upskilling and community engagement.</p> <p>a. Access for community energy to the remaining £7bn of retrofit funding.</p> <p>b. Develop a successor to the Green Homes Grant that is specifically targeted at community scale retrofit, enabling community energy groups to play the essential role of increasing take up, enhancing the interface with the householder and installers and providing post-installation monitoring and support.</p> <p>c. Funding for community energy to develop collaborations with local authorities, other housing providers and householders on energy efficiency and retrofit. (See Local Area Energy Planning at 3 below)</p> <p>d. Make energy efficiency and retrofit a 'national infrastructure priority' as in Scotland so that major infrastructure work such as heat-networks, external insulation projects etc can be funded by the UK Infrastructure Bank and other central government infrastructure funding.</p>	<p>ensuring Community Energy has good access to the £7bn pledged for retrofit.</p>	<p>conservation and efficiency. Energy retrofit (as Insulate Britain argues very cogently) yields the highest return on investment in carbon saving terms but also in well-being, social and health benefit terms and cost saving. A £10bn investment in energy retrofit pays itself off in 7 years from health cost savings alone¹⁷! See reference to 6 reports at 46.7 ff below.</p> <p>(2) Poor housing and fuel poverty must be at the heart of levelling up. Community energy is trusted, 4-5 times better at engaging people on energy efficiency than corporates or government.</p> <p>It would access the unallocated £7.3bn of the government's pledge of £9.2bn for retrofit. Will help meet government fuel poverty and home upgrade to EPC C by 2035 targets</p>
2.	<p>Tax relief and reform, finance mechanisms:</p> <p>a. Ensure community energy is eligible for all relevant Green Finance initiatives to ignite the opportunities for small scale investment in neighbourhood community energy.</p> <p>b. Develop a tax relief mechanism to incentivise investment in community energy (EIS, SISR...) especially for high risk and innovative projects.</p> <p>c. Business rate relief for community energy projects. Remove punitive business rates on rooftop solar</p>	<p>£15m per year</p>	<p>(3) (2) (1) (5) enabling the growth of community energy thereby increasing local collaborations on carbon saving, public engagement, innovation, fuel poverty work, renewable energy and huge social benefits.</p> <p>SISR: Working with Big Society Capital, we</p>

¹⁷ New Economics Foundation Report: <https://neweconomics.org/2020/07/a-green-stimulus-for-housing>

	and use reliefs to incentivise business owners to install community renewable energy ¹⁸ . d. Remove VAT on energy saving measures, including solar panels and batteries. This is essential to achieve net zero.		estimated SITR would cost a maximum of £15m a year (which would enable ~ £50m a year of social investment in community energy) ¹⁹ .
3.	Resource the transition to local. a. Resource 'Local Area Energy Planning' ²⁰ with proper funding for community energy and local authorities to participate. b. Grant funding for strategic decarbonisation projects, especially collaborations with community energy, that arise out of 'Local Area Energy Plans'.	40-80k per LAEP. (saves money very soon)	(3) by enabling strategic and fast progress to transform the energy system to a more efficient, flexible, local system with local people and stakeholders actively participating. (2) enabling the unique opportunities and synergies of local partners working together with social benefit and levelling up at the core. (1) empowering Local Authorities, community energy and the public and private sectors to work together locally, including on improving housing locally.

General principles for the Comprehensive Spending Review

"We cannot keep our promise to the next generation to build an economy fit for the future, unless we ensure our planet has a future"

Philip Hammond, reported by [Carbon Brief](#) Nov 2017

"We need to move rapidly. What we do in the next 3-4 years I believe, will determine the future of humanity."

Sir David King, ex Chief Scientist to the UK Government.

¹⁸ See our responses to the Business Rate Review consultation [here](#) and [here](#)

¹⁹ Please see our SITR [consultation response](#) with various ancillary policy asks and case studies, including increased limits per company.)

²⁰ <https://es.catapult.org.uk/news/local-area-energy-planning-key-to-minimising-decarbonisation-costs/>

"The economy is a wholly owned subsidiary of the environment, not the reverse"

Prof. Herman Daly, ex senior economist at the World Bank

25. A primary aim of all government policy (and this spending review) must be to ensure that we have a viable future. This Spending Review and the execution of the policies funded by it may dictate whether we have a future or not. It must be recognised by all policy makers that if we exceed 1.5 degrees we are over the edge of a cliff into runaway climate change from which there is no return to climate stability and the future is fundamentally vitiated for economic prosperity, and civilised life on this planet.
26. We need to treat it as an emergency, a crisis, as we have the Covid-19 pandemic. As he did then, the Chancellor must pledge to 'do whatever is necessary' to solve this existential crisis. If we fail, all benefit that might accrue from good policy will be futile. We must 'follow the science' and be prepared for *unprecedented* measures or we will be wasting money and destined to fail. Early action is essential and will be cheaper than delaying. Our 2050 net zero target is inadequate.
27. The [IPCC 1.5 report](#) says starkly: ***limiting warming to 1.5°C is possible within the laws of chemistry and physics but would require unprecedented transitions in all aspects of society.*** ...*Without increased and urgent mitigation ambition in the coming years, leading to a sharp decline in greenhouse gas emissions by 2030, global warming will surpass 1.5°C in the following decades, leading to irreversible loss of the most fragile ecosystems, and crisis after crisis for the most vulnerable people and societies.*
28. The IPCC 1.5°C report summary for policymakers²¹ says: *Pathways limiting global warming to 1.5°C with no or limited overshoot would require rapid and far-reaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems (high confidence). These systems transitions are unprecedented in terms of scale, but not necessarily in terms of speed, and imply deep emissions reductions in all sectors, a wide portfolio of mitigation options and a significant upscaling of investments in those options.*
29. The CSR must **show a significant upscaling of investment in and courage for unprecedented system change.** Anything less is planning and budgeting to fail. It must align with the UK's NDCs to show world-leading ambition and, since delivery has been a weak point of this government, a well-founded plan to make them happen.
30. This means aiming to *exceed current targets* in the certain knowledge that they will soon prove to be not enough. And engaging everyone in the transition by supporting community energy, people, communities and social business to deliver climate action locally. Currently

²¹ <https://www.ipcc.ch/sr15/chapter/spm/>

we are planning to miss carbon budgets 4 and 5 and the Government has been castigated²² by the Institute for Government and by the Climate Change Committee for not having a grip or a plan including on the key issue of ‘engaging the public’.

31. **The CSR spending should be subject to a net zero test.** If investment does not contribute to achieving net zero **as soon as possible** it is debarred (‘as soon as possible’ because current 2050 targets are already insufficient). No investment in high-carbon industry or projects (such as aviation or road building).
32. **The spending on the net-zero transition should be funded from general taxation** rather than regressive levies on electricity bills, which also hamper the electrification of heat and transport. We need to scale up and speed up ‘investing to save’ and have courage and long-term thinking to justify it by the benefits and savings that will result, including:
 - 32.1. The future with a stable environment and climate in which economic activity can generate good livelihoods for all.
 - 32.2. Reduced repair and recovery costs from extreme weather events and other impacts of climate change.
 - 32.3. Building energy retrofit bringing reduced health²³ and social costs increased well-being and economic benefits from a sustainable economic recovery as well from money not wasted on excessive energy bills.
 - 32.4. Economic benefits from export of zero-carbon solutions.
33. **The investment in transformation will necessitate strong, consistent, upfront investment** in research and development, capacity building in supply chains and delivery, training and reskilling, financing, governance, monitoring and regulation for good standards. It must enable a just transition.
34. The CSR must **upscale investment in genuinely low-carbon renewable energy**, which should be as local and community-based as possible, and in upgrading the distribution grid to enable this.
35. The CSR must **urgently upscale investment in building energy retrofit and make it a sustained long term programme**, to create enduring, future appropriate jobs and ensure we stand a chance of meeting carbon targets. It must take urgent measures to tackle sharply increasing fuel poverty. Community energy is one of the most effective actors in this sphere but it needs major investment in retrofit too.

²² <https://www.instituteforgovernment.org.uk/sites/default/files/publications/net-zero-government-climate-change-target.pdf>

²³ Health cost of poor housing £1.4-£2bn every year: BRE Cost of Poor Housing report.
<https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf>

36. The CSR must **upscale investment in clean transport and in reducing the need for travel and transportation by localisation**. The ‘decarbonisation’ of current levels of car and road freight does not solve most of its problems. Community owned and controlled transport, ‘active transport’ like walking and cycling and public transport require large, ongoing investment. Cancel the £27bn road programme and HS2 both of which will catastrophically increase emissions.
37. The CSR must **upscale investment in protecting and increasing biodiversity, green and wild spaces**, supporting agriculture to welcome new entrants, protecting small farms and small-holdings, increasing genuine ‘carbon farming’ and soil protection and regeneration.
38. The CSR must **boost green investment, both private and public**, investing particularly at a local level in people, to help them live cleaner, greener lives across the UK. It should not channel stimulus through the banks as happened after the 2008 crunch. However a Net Zero Bank (with net zero/no harm to nature rule) would help. It must be able to fund retrofit projects as a National Infrastructure Priority (as they are in Scotland).
39. The CSR must **protect the most vulnerable in the UK and overseas**, leading the world in creating a greener, healthier and fairer future, protecting those most vulnerable to climate change.
40. **People and communities (and community energy) are key** to the net zero transition (and the economic recovery) as explained at 10ff above and must receive government support.
41. People (with their generosity, invention and tenacity) and communities (which bring people together to be more than the sum of their parts) have hugely proved their worth during the pandemic, inventing and delivering local solutions which together add up to ‘at scale’. Much of this is delivered at low or no cost to the state but deserves and needs government support if it is to continue and scale further.
42. But the Committee on Climate Change in its Net Zero report²⁴ warns that, (p12) *“Clear leadership is needed, right across Government, with delivery in partnership with businesses and communities. Emissions reduction cannot be left to the energy and environment departments or to the Treasury”* and (p33) *“Much of the success so far in reducing emissions (e.g. power sector decarbonisation and even the phase-out of inefficient gas boilers) has happened with minimal change or awareness needed from the public. However, this cannot continue if the UK is to reach net-zero emissions”*. Whilst investment in Green Infrastructure and technology are vital, net zero cannot be ‘delivered’, only achieved with the consent and active participation of the people.

²⁴ <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-The-UKs-contribution-to-stopping-global-warming.pdf>

43. The Science and Technology Committee²⁵ urges a whole systems approach to the energy system and tackling climate change. While it doesn't point out that people and society are perhaps the most complex parts of a complex system it does mention the importance of a local focus and engaging people in 'societal change'.
44. So **people and communities**, not just infrastructure and technology, **must be at the centre of energy, net zero and green recovery policies** and must be invested in just as much. Community energy must be supported by government as a key, trusted, motivated, knowledgeable, local advocate and deliverer of the urgent and radical energy (and attitude) transformation necessary to achieve net zero (see detailed recommendations at 24. above).

Meeting the policy aims of the Comprehensive Spending Review

45. **(1) Ensuring strong and innovative public services - making people's lives better across the country by investing in the NHS, education, the criminal justice system and housing;**
 - 45.1. **Local authorities** are key to the delivery and regulation of many essential services and infrastructure that is appropriate to local conditions and needs. They should be key to the rollout of the green recovery and net zero. Many do not have the best relations with residents although it is almost always better than the big energy companies. Community energy is a trusted intermediary, locally knowledgeable and expert in energy and carbon matters. Community energy is 4-5 times better at engaging communities on energy efficiency than commercial players²⁶. **Collaboration between Local Authorities and community energy to do Local Area Energy Planning and delivery must be adequately resourced** and will save money even in the short term. See policy recommendation at 24.3
 - 45.2. We commend the work on housing achieved with the Social Housing Decarbonisation Fund. It must be remembered that a very large proportion of housing falls outside Public Sector control. We deal with housing in the next section.
46. **(2) Levelling up across the UK to increase and spread opportunity; unleash the potential of places by improving outcomes UK-wide where they lag and working closely with local leaders; and strengthen the private sector where it is weak;**
 - 46.1. The CSR, and green recovery plans, must **prioritise decarbonisation, moving to a new resilience and solidarity economy to develop enduring and future-appropriate jobs.**

²⁵ <https://www.gov.uk/government/publications/achieving-net-zero-carbon-emissions-through-a-whole-systems-approach>

²⁶ DECC commissioned report 'Community groups and energy efficiency' <https://bit.ly/2ErXOj0> para 3.3.3 for example.

- 46.2. **Many government funds designed to meet this agenda are centrally controlled** or confined to Local Authorities, such as the Levelling Up Fund and the Shared Prosperity Fund. This does not *spread opportunity* or *unleash the potential of places* because it is difficult for the local people, and *local leaders*, who know how to grasp the opportunities and exploit the potential, to access those funds. Decision making on these funds must be devolved and eligibility broadened.
- 46.3. All the various **energy efficiency funds must be designed to be accessible to community energy groups**. Given the advantages, in terms of effective delivery, of working with community energy groups, the government should **dedicate sufficient funds to ensuring they can participate**, for instance, by getting the requisite Trustmark certification.
- 46.4. **Poor housing** is a huge cost to society²⁷, a barrier to levelling up and to achieving net zero. Remediating that problem is a huge economic opportunity for the green recovery, levelling up, exporting technology and know-how, cost saving, and building long term resilience. But it needs unprecedented upfront investment (up to £9bn a year - see reports below) which will yield enormous climate, social and economic returns.
- 46.5. The CSR must **make building energy retrofit an infrastructure priority and invest heavily in it at a local level** (see Climate Assembly report²⁸)
- 46.6. **Building energy retrofit** is the lowest hanging fruit. About 30% of our emissions (40% if you include construction - including embedded carbon) come from our buildings. We welcome the £9.2bn for building energy retrofit in the Queen's Speech and urge the remaining £7.3bn (and more) to be committed in this CSR to create the certainty upon which investment and training can be built to create hundreds of thousands of jobs. This can ultimately be cost neutral due to increased tax revenues and reduced costs from greater employment as well as reduced social and health costs from people living in better conditions. It must be accessible to community energy groups and targeted locally rather than via large outsourcing or energy supply companies. It must target the most vulnerable first and actively encourage community energy and local businesses to deliver it. This will have swift payback time and ultimately high returns on investment in terms of cost savings and increased tax revenues.
- 46.7. The Energy Efficiency Infrastructure Group Net-zero Litmus Test report²⁹ estimates £1b a year from government is necessary to meet the government's Clean Growth Strategy pledge to get all homes to EPC C by 2035. "Appraised as an infrastructure

²⁷ Health cost of poor housing £1.4-£2bn every year: BRE Cost of Poor Housing report.
<https://www.bre.co.uk/filelibrary/pdf/87741-Cost-of-Poor-Housing-Briefing-Paper-v3.pdf>

²⁸ <https://www.climateassembly.uk/report/>

²⁹ https://www.theeeig.co.uk/media/1063/eeig_net-zero_1019.pdf

investment, **the net present value – to the economy, reduced power system investment needs and from improved health – amounts to an additional £47 billion**".

- 46.8. PWC's 2020 report³⁰ 'Rebuilding the UK economy: fairer, cleaner, more resilient' recommends "Launch a centrally funded, long-term national energy-efficiency, low carbon and smart building-retrofit programme"
- 46.9. The New Economics Foundation in its Green Stimulus for Housing report³¹ estimates it **needs public capital investment over 2020-2024 of an average of £8.66 bn per year** – much aimed at low-income homes as grants, which would unlock £71.95 bn of private capital. This could create *"117,811 new direct jobs in year one, rising to a peak of 382,885, in year four. This is an average of 294,527 new jobs between 2020-2023/24, a 22% increase in total construction employment and a 162% increase in the renovation, maintenance and improvement sector. This rises to an average of 515,157 when factoring in indirect jobs."* A £10 billion investment in energy retrofit would pay back in seven years from health cost savings alone.
- 46.10. IPPR's Transforming the Economy after Covid-19 report³² which estimates that investing in tackling climate/nature and inequality crises could create 1.6m jobs with investment in energy efficiency, low-carbon heat and zero carbon social homebuilding yielding 560,000 jobs.
- 46.11. Institution of Engineering and Tech Nottingham Trent's Scaling up Retrofit 2050 report³³ urges **cities and Local Authorities to develop long-term plans** (with additional support) [see Local Area Energy Planning above] and to **engage with consumers using trusted intermediaries such as community energy**.
- 46.12. The Centre for Local Economic Strategies Owning the Future report³⁴ echoes the emphasis on the **local**: (p10) *"By developing and maintaining a deep understanding of the local economy and the impacts of the Covid-19 pandemic in their area, local authorities will be critical to creating a local economy which addresses the interconnected priorities of poverty, ill-health, social isolation and inequality."* The pandemic has seen Local Authorities build a foundation of relations with local communities and businesses – now is the time to develop this to recover and rebuild new localised fairer economies.

47. **(3) Leading the transition to Net Zero across the country and more globally;**

³⁰ <https://www.pwc.co.uk/industries/power-utilities/insights/rebuilding-uk-economy-fairer-cleaner-more-resilient.html>

³¹ <https://neweconomics.org/2020/07/a-green-stimulus-for-housing>

³² <https://www.ippr.org/research/publications/transforming-the-economy-after-covid19>

³³ <https://www.theiet.org/impact-society/factfiles/built-environment-factfiles/retrofit-2050/>

³⁴ <https://cles.org.uk/publications/owning-the-future/>

47.1. The government must recognise that the 30% Emission Gap due to people not being involved in net zero cannot be reduced by investing in low-carbon technologies as the 10 Point Plan tried to do. Community energy is key to engaging people and communities in the *societal effort* of the net zero transformation. It needs government investment to scale to play that essential role across the whole country. A policy and government investment programme that does that would be world-leading policy that the government would have every right to shout about at COP26.

48. **(4) Advancing Global Britain and seizing the opportunities of EU Exit;**

49. **(5) Delivering our Plan for Growth - delivering on our ambitious plans for an infrastructure and innovation revolution and cementing the UK as a scientific superpower, working in close partnership with the private sector.**

49.1. We have set out the benefits of a major up-front investment in building retrofit above. Building retrofit must be designated an 'infrastructure priority' so that it can be funded as infrastructure.

49.2. The CSR must **invest in low carbon infrastructure i.e. not roads, fossil fuel generation**. The CSR must reverse the £27bn road building programme and HS2 which will likely never recoup its upfront carbon emissions³⁵. Increasing road capacity only increases traffic through 'induced demand'³⁶.

49.3. **The CSR (via its Net zero test) must not subsidise fossil fuels, bioenergy, aviation or globalisation.** Especially post Brexit the most reliable and profitable markets are likely to be domestic and local, which also reduces emissions and other wasted resources involved in transport. For example, in 2019-20 the UK exported 290,366 tonnes of fresh and seed potatoes and imported 252,636 tonnes of the same³⁷.

49.4. The CSR must **upscale investment in genuinely low-carbon renewable energy**, which should be as local and community-based as possible and in upgrading the distribution grid to enable this. The CSR should remove funding from incineration and large-scale biomass generation, limit funding to future unicorn/silver bullet projects like Carbon Dioxide Removal such as CCUS and BECCS and new nuclear that will likely deliver too late or not at all, in favour of the low-carbon technologies that we know work, can install fast and enable localisation of energy. The Council on Science and Technology recommended this in their 'Whole systems approach to net zero' report and letter to the Prime Minister³⁸. People and communities are the most

³⁵ <https://www.theguardian.com/uk-news/2020/feb/02/will-hs2-really-help-cut-the-uks-carbon-footprint>

³⁶ <https://www.bloomberg.com/news/articles/2018-09-06/traffic-jam-blame-induced-demand>

³⁷ <https://ahdb.org.uk/potato/potato-trade>

³⁸ <https://www.gov.uk/government/publications/achieving-net-zero-carbon-emissions-through-a-whole-systems-approach> see also UK Fires Absolute Zero report <https://www.repository.cam.ac.uk/handle/1810/299414>

complex part of this ‘whole system’ which community energy uniquely knows how to negotiate.

- 49.5. **SMEs, community and social businesses and cooperatives must be actively protected and enabled in the CSR.** SMEs are proving highly adaptable³⁹ to the crisis, serving local markets in new ways. Over half surveyed grew their customer base. SMEs and social businesses are generating more jobs⁴⁰ and local benefit⁴¹ per £ invested and transacted. Community businesses and SMEs are more likely to be highly committed to serving their local communities. The benefit of and need for **local and community resilience, increasingly recognised in the current pandemic, must be valued in the CSR.**
- 49.6. The CSR must **prioritise and support localisation⁴² and community ownership and control** - of energy, supply chains, jobs and more. Local and community based production (of energy, food, etc.) creates resilience and reduces waste and the need for travel and transportation and generates economic benefit for the community. The current supply crisis precipitated by lack of lorry drivers requires a serious focus and investment in localisation - reducing the need for fuel to move people and things around. The fashion industry⁴³ has been leading the way in localisation where transport and storage savings and agility benefits are outweighing the old benefits of cheap labour and economies of scale. Economies of scale, centralisation, outsourcing rarely produce the promised benefits and often hide many externalised downsides.
- 49.7. **Community energy is incredibly innovative** combining and developing technologies to build new business models and take advantage of local opportunities. Community energy is hugely sought after by commercial technology developers as a partner for ‘community test-bedded’ projects which test the tech and how it works in the community at the same time. For example two out of the three Ofgem ‘sandbox’ supply projects were community energy projects⁴⁴ pioneering local supply at reduced rates to the residents beneath a community owned solar array and intertrading of reduced price day-time energy quotas among residents.

³⁹ <https://www.santander.co.uk/about-santander/media-centre/press-releases/one-in-three-uk-smes-plan-to-make-covid-19-innovations>

⁴⁰ <https://www.santander.co.uk/about-santander/media-centre/press-releases/sme-employment-growth-three-times-faster-than-larger-businesses>

⁴¹ <https://www.nefconsulting.com/our-services/evaluation-impact-assessment/local-multiplier-3/>

⁴² <https://cles.org.uk/publications/owning-the-future/>

⁴³ <https://luxiders.com/fashion-supply-chains/>

⁴⁴ <https://www.repowering.org.uk/local-energy-innovation-trials/>

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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 275 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