



**Friends of
the Earth**

Case studies:

Community projects impacted by the feed-in tariff review.

Cutting tariff rates for over 50kW Solar PV projects so that they are commercially unviable threatens the many community projects that take place above this scale – such as those on schools, hospitals, and football clubs.

For those who live in flats, have inappropriately located housing, are in the private rented sector or do not have access to capital, community, housing association or other collective schemes provide the only way to participate in the feed-in tariff. Undermining community energy excludes large sections of the population from benefitting from the feed-in tariff, adding weight to the accusation that FITs are only a scheme for the middle classes.

The Coalition agreement commits the Government to ‘encourage *community-owned renewable energy schemes where local people benefit from the power produced.*’ Yet, as can be seen from the case studies below, cutting the feed-in tariff to such low rates of return makes many projects impossible.

Below is a collection of quotes from community groups and housing associations about the impact the new rates would have on their projects.

Cheryl Hiles – Regen SW

“Communal scale, community projects are unlikely to go ahead now with the current level of support offered by the FiT. In simple terms, with a potential IRR of 1 - 3%, projects are not going to be able to attract investment. In addition, community pv projects will not be able to deliver any significant community revenue streams, removing the motivation for communities to push these schemes forward.. There is a danger that solar pv will become the preserve of relatively wealthy householders, not communities and the fuel poor who need a way out of the energy trap. Regen SW has been working closely with communities to mainstream community renewable energy through its ‘Communities for Renewables’ initiative. The Government’s announcement today does little to support the community renewables sector.”

Craig Jackson – South Yorkshire Housing Association

“If we were to put a single 54kWp array on our building at Cuthbert Bank at 19p/kWh the reality is that we'd make 2.03% return, nowhere near 5% and less than our financing costs.

The tariff rate we'd need to achieve a 5% return is 27p/kWh.

Cuthbert Bank is a scheme which houses homeless families. The tenancies change every few weeks as those families are put into permanent accommodation so it's a situation where each individual household being signed up for FiTs is clearly a nonsense. But today's changes mean that's what we'll be left with.”

Dawn Muspratt – The Power Exchange

“This is devastating news and most certainly makes our solar PV proposition unviable. We have run and run the figures and simply cannot make them work for us, not least because the capital costs are so high that we are heavily reliant on investment funds which of course needs to pay a return. Even the most sympathetic and generous of financial institutions will require a bigger return than that which will be possible under the rates announced today.

The new rates may possibly work for communities where the members have capital to invest themselves and are happy with a low return. Unfortunately this completely plays out George Monbiot's argument that the FiT will only work for the better off - which is deeply depressing to us as we were clear that we had a model that could work for the most disadvantaged.

It's truly shocking and so short-sighted.”

Tony Faragher – Wadebridge Renewable Energy Network

“The new rates mean we will have to abandon a major project. This project would have taken WREN to a new level, enabling us start to meet our project management costs and meaning we no longer had to work within the limits of a purely voluntary set-up. This now highly unlikely to happen.

The rates also put community involvement in our project at risk. Rates of return will now be so low as to prevent us building up our community fund. This was the key element in motivating local people to take part in our project: monies from the fund would have been used for local investment such as sports and cultural facilities and helping those without capital to access renewable energy.

It is ironic that a Government supposedly championing the Big Society has confirmed rates that severely damage community energy groups and local involvement in community projects. “

Damien Tow – Brighton Renewable Energy Group

“We at Brighton Energy Co-op haven't modelled the 19p/kWh for 50-150kW installations so can't be sure whether or not a 5% return is achievable but what we are completely sure of is that 5% as a gross return is not viable for a community-owned energy business to function.

As an example the recent share offer by OVESCO offers shareholders 4% interest on their investment and in addition to that 1-2 % operating costs are needed for insurance, maintenance and admin on an annual basis. Start-up costs including legal, planning, surveys, accounting and marketing have to also be paid out of this 5%, and this also assumes highly motivated, experienced and credible volunteer personnel to staff community energy businesses working for nothing.

It is possible to install a number of 50kW arrays instead but each comes with it's own incremental fixed costs and more importantly the effort and time required to sign a contract with each roof owner, all done pro-bono! We offered the Government a workable solution

with the idea of a 'community test' linking the organisational structure to a favourable FiT rate but this was dismissed as too complex. Complexity never seems to stop any Government when it benefits them, take the UK tax system as an example.

So in conclusion the 'Big Society' theory of communities using the FiT to create local energy resilience is completely undermined if the scheme is not sufficient to fund local energy businesses.”

Chris Rowland - OVESCO

The OVESCO financial model for community investment:

OVESCO's community PV project in Lewes is based on 98kW of PV at a FiT rate of 32.9p/kWh and gives an estimated 4% return on investment for the 220+ community share holders. Harveys are owners of the warehouse where the PV will be installed have agreed to lease their roof to OVESCO as a community interest company. In return they receive all the electricity they can use from the PV system. OVESCO has to pay the share holders via the FiT and a small income from the exporting electricity to the grid. OVESCO has to manage the share issue, insure the project and maintain the PV system for 25 years. This ground breaking start up project is just about financially viable with all 98kW receiving a FiT at 32.9p/kWh. Reducing the rate for the FiT above 50kW to 19p removes 20% of our income and will no longer make the project attractive to our community share holders.. Because of the set up costs and the fact that any building owner will want some sort of financial benefit from a project, we can see that many community groups will be unable to get off the ground, as their projects are not financially viable having been reduced to under 50kW in size. OVESCO and our PV installer are now up against the clock to install our first and possibly last community owned 50kW+ project before the 1st August!

'Today's announcement will prevent or at least considerably slow down community groups seeking to use the PV FiT to finance their projects. 50kW+ PV was a wonderful chance for communities to get started and generate their own local decentralised power. This is another nail in the coffin and opportunity lost for our society to get involved with and benefit from their own local power generation.'

“It is infuriating that just as we are about to launch our first scheme that is in line with Greg Barker's Big Society ambition, we are hit by this lack of vision at the top which totally scuppers the plans of many community groups across the UK. Perhaps the Minister did not mean to destroy the plans of the groups he also wants to see succeed, but without a stable and viable feed in tariff, community energy will never happen. Our scheme ticks all the government boxes: community-owned, community-funded and a real contribution to energy security and environmental benefit. We shall do everything we can to persuade the minister to change his mind on this. We are not a massive multi-national organisation milking the public purse for profit, but a local voluntary enterprise trying to do our bit for society.”^[1]

^[1] http://www.sussexexpress.co.uk/news/local/lewes_football_club_set_to_be_solar_power_station_1_2558988