

Community Energy Finance Roundtable

Final Report and Recommendations to the Secretary of State for Energy and Climate Change and the Minister for Civil Society

July 2014

1. Introduction

This report outlines the recommendations emerging from the work of the Community Energy Finance Roundtable since the publication of the Government's Community Energy Strategy in January 2014.

That Strategy set out the purpose of the Community Energy Finance Roundtable as a task-and-finish group to explore issues which are limiting access to, and/or availability of, finance for community energy projects and to develop and propose appropriate solutions. It established the goal of reporting its conclusions and recommendations to the Secretary of State for Energy & Climate Change and the Minister of State for Civil Society in Summer 2014.

Process and scope

The Roundtable was an invited voluntary group of experts and practitioners in relevant fields, set up and chaired by Simon Roberts (Chief Executive of the Centre for Sustainable Energy) with some support provided by DECC and Cabinet Office officials (see Appendix for membership list).¹ Following an exploratory meeting of the Roundtable in September 2013, four key areas relating to community energy finance were identified as presenting challenges which required consideration in more depth:

- a. Investment readiness: project quality and group capacity and confidence
- b. Availability of development risk capital
- c. Investment 'product' design and distribution and associated regulatory frameworks
- d. De-risking projects and building market for debt finance

To address these areas, the Roundtable met as a whole (late February 2014) to establish and deepen a shared understanding of the relevant issues in each area for community energy finance. Four task groups were then established, one for each area and each with a Roundtable member leader/convenor. These task groups further developed the analysis of the issues and then recommendations for consideration by the whole Roundtable in two separate meetings (in late April and late June 2014).

In broad terms, each task group was considering: the suitability of existing services and initiatives (both for community energy and for wider community/social investment activity) and how access may be improved; opportunities to improve and/or innovate both within finance and community support sectors and existing or planned government-backed initiatives; current obstacles to finance and how these might be removed or worked around to increase access and availability.

¹ The Roundtable's Terms of Reference can be found [here](#)

The primary objective for the Roundtable was to make practical and deliverable recommendations to the sector and the Government which have the potential to improve access to and availability of finance for community energy activity relatively quickly (1 – 2 years). Given current activities within community energy and where financing challenges lie, the Roundtable's principal focus was finance for community-developed and -owned energy generation projects.

Structure of this report

This report takes as a given the Government's stated desire to increase significantly the level of community-owned energy generation in the UK. It provides a brief outline (Section 2) of the main financing issues encountered by community energy groups as they develop their projects, informed by analysis undertaken by the Roundtable as a whole and in each task group.

Our main focus here is the **13 recommendations for action** and the rationale behind them. The recommendations are organised in sections around our four key themes:

- Project quality and investment readiness (Section 3)
- Access to development risk capital (Section 4)
- Raising investment and protecting investors (Section 5)
- Building a market for project debt for community projects (Section 6)

Some of these, particularly in relation to building a market for project debt, require further work, mainly as a result of stakeholders being unable to participate fully in the Roundtable's task group process. Recommendations for how this is achieved are provided.

Some of the recommendations also relate to commitments made by the government in its Community Energy Strategy, most notably the One Stop Shop information portal to support community energy action and the Urban Community Energy Fund (UCEF) to provide feasibility grants and development risk loans to community energy projects (mirroring the existing Rural Community Energy Fund – RCEF).

The recommendations are brought together in Section 7.

Thanks are due to all members of the Roundtable (see Appendix) and particularly to Robert Rabinowitz (Pure Leapfrog), Mick Brown (Robert Owen Community Bank) and Karl Harder (Abundance Generation) for their work leading the task groups on, respectively, investment readiness, development risk capital, and investment raising, and for providing such coherent outputs from their groups' work.

Simon Roberts OBE

Chair of the Community Energy Finance Roundtable

Chief Executive, Centre for Sustainable Energy (www.cse.org.uk)

July 2014

Proviso

Community Energy Finance Roundtable members contributed their experience and perspectives to the process in a voluntary capacity. While there was general consensus around the analysis of the challenges and the thrust of the recommendations in this report, it should not be assumed that every member of the Roundtable unreservedly endorses all of this report.

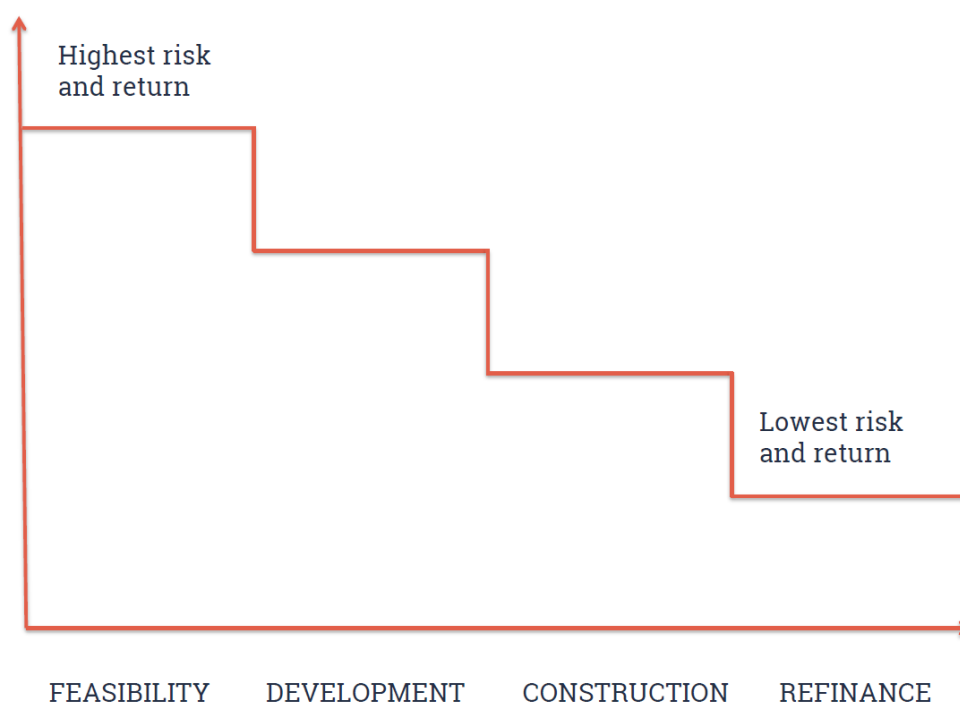
2. Financing community energy projects – the issues²

In broad terms, a community group wishing to develop a renewable energy project in their locality will need to secure finance for different stages of the project from conception to development to construction to commissioning and operation:

- Feasibility funding – to assess whether a project is sufficiently feasible to pursue further.
- Development risk capital – to fund the process of project development (including planning, community engagement, technical, legal and procurement aspects, project management).
- Early stage construction finance – to fund the initial costs of construction including deposits for equipment supply, grid connection, initial site works etc.
- Owner's finance – equity investment and debt finance to pay for the project in full (including paying back – or 'refinancing' – all of the above, sometimes with a premium for risks taken).

These project stages and different types of finance have different risk profiles which influence their availability and the returns expectations of investors. The risk profile for each stage can be simplistically represented in graphical form (see Figure 1 below).

Figure 1: Risk and reward profile for renewable energy project stages



Sources of finance for these needs have, to date, proven generally available for the growth of renewables in the UK. These have been provided almost exclusively on a straight commercial rationale and the growth has been led by the private sector focused on larger renewables projects. This approach has brought with it concerns about the public's 'buy-in' to increasing levels of renewable energy and the extent to which localities which host renewable energy projects secure appropriate benefits of doing so.

² For a simple introduction to the financing issues associated with community renewable energy projects see <http://www.planlocal.org.uk/pages/renewable-energy/funding-and-finances-2>

More recently, and largely as a result of the introduction of the Feed in Tariff, a growing number of communities are developing locally-led renewable energy projects largely funded by local people buying shares or providing loans. These projects can create a sense of local engagement with renewable energy and obviously retain value in their communities for their local investors. The combination of local financial returns and social benefits of locally owned assets – often referred to as social investment – has started to unlock new sources of finance for community energy projects.

Encouraging and expanding this sector are the primary reasons for the Government's commitment to increasing community ownership of renewable energy projects. It also aligns with the Government's wider interest in supporting the development of a social investment market; where provision of capital is made on the basis of both social and financial returns, and social ventures, including those that are community led, find it easier to access the finance they need to develop and grow.

However, there are particular characteristics of community-developed and owned renewable energy projects which result in barriers to accessing both the sources of finance which have been available to private sector developers and those available for socially-minded projects.

Unlike the typical business models of private sector renewable energy project developers (which have dominated UK renewable energy development activity to date), community groups are usually:

- a. constrained in the relevant skills, knowledge and experience they 'have to hand' and can draw on directly from their members;
- b. limited in both the knowledge of the renewable energy market, the development process and the associated risks;
- c. unclear about the need for, and the sourcing and quality of potential professional advisors and the typical requirements of financiers and investors;
- d. tied to a specific site and project (so have no portfolio of projects in development across which to spread development risk or against which to raise finance);
- e. convinced by the merits of their activities and the value of the investment opportunity they are seeking to create (and thus playing down potential risks to investors);
- f. working to develop projects of a size and financial value which, for a variety of reasons explored in Section 6 below, are generally too small to attract easily and cost-effectively the sort of debt finance (non-recourse project finance) which has typically been used to leverage attractive investment returns for investors in larger renewable energy projects (or portfolios thereof).³

These factors all have implications for how community groups with ambitions to develop their own renewable energy projects can access the finance they need at different stages of that development effort. Some of these barriers, such as small ticket size and business capability to take on finance, are consistent with the barriers faced by the social enterprise sector as a whole. Others are particular to community energy projects, such as the difficulty for investors (including socially minded investors) of assessing risk around technical and legal aspects of energy projects.

³ Note that this limited availability of project finance for smaller projects can also be a problem for private sector developers, which is one of the reasons why they have tended to concentrate on larger projects.

The Roundtable considered these factors and identified four specific (though inter-linked) areas which were particularly problematic:

1. The extent to which community groups are developing projects with a view to them being 'investment ready' – by, for example, using professional advisors whose qualities will be recognised by future providers of finance. (Addressing points a, b, and c above)
2. The availability of feasibility and development risk capital – the highest risk money in the process – to community groups with single projects and no appetite for taking those risks with their potential local investors' money. (Addressing point d above)
3. The importance of a robust approach to protecting the interests of investors (for example, by ensuring that the investment risks are clearly spelled out to potential investors, company governance is strong etc). (Addressing point e above)
4. Access to debt finance in loan sizes suited to planned projects (rather than bank business requirements) at interest rates without 'small project' premiums so that the debt creates leverage for equity. (Addressing point f above)

The Roundtable's analysis and recommendations to address each of these problem areas are outlined below.

3. Helping community groups to develop high quality ‘investment ready’ projects

For a renewable energy project to raise finance from either the public or financial institutions, it needs to have been developed with an eye to the investors and financiers requirements for risks to have been managed. At the very least, that means applying appropriately qualified expertise to the technical and legal aspects of the project and managing it professionally with good corporate governance in place.

That creates challenges for community groups which typically: (a) have limited **understanding** of these requirements; (b) are usually short of **capacity** to fulfil these in-house, and; (c) lack **experience** (and funding) for recruiting professional expertise and project development management. The Roundtable’s Task Group on investment readiness considered these challenges and how they could best be addressed. In so doing, members were particularly concerned to acknowledge the considerable voluntary time committed by community energy groups in developing their projects. The key is to address the challenges in ways which guide and support that committed effort to give it the best chances of success.

It is tempting to assume that these financing requirements need not be met if the finance is to be raised from local investors in a local share issue because they may have less demanding requirements (perhaps based on less understanding). However, as outlined in Section 5 below, as with any financial promotion, the need to protect the interests of those investors should also be considered paramount (not least for the long-term maintenance of public confidence in the community energy sector). It may also be the case that greater attention to ‘investment readiness’ would reduce concerns amongst potential local investors about the risks involved and thereby increase their willingness to invest and/or the amount they invest.

3.1. Defining ‘investment readiness’

Whilst financiers and investors may differ on the levels of financial returns and social impact sought from their investments, projects will always need to meet three broad criteria before being considered investment-ready:

- **Bankability:** projects have **identified and taken reasonable steps to mitigate material risks** such as equipment failure, poorly drafted legal agreements, accidents, security of revenue streams, insolvency of counter-parties and inadequate financial modelling.
- **Governance practice:** projects have a governance structure and, particularly, governance practices (such as internal systems and controls), that ensures that **assets are managed in accordance with appropriate standards**.
- **Community engagement:** evidence that the project has the support of, and will benefit the community in which the project is based. This is of particular importance to social investors.

As set out above, some community groups have barriers which prevent them from meeting these criteria. The drivers behind these barriers, and possible ways to address them, are set out below.

3.2. Tackling the barriers faced by community energy ventures in becoming investment-ready

Bankability

Issue: Lack of awareness in community energy groups of the requirements of financial institutions and where to go for support to ensure that business models meet them.

Solution: Clear guidance on expectations of financial institutions should be provided to community energy groups so that any organisations with aspirations to access institutional finance can ensure that they plan to meet these requirements from the moment their project ideas start forming.

This could be achieved through an on-line publication targeted at community energy groups spelling out the requirements clearly with sign-posting about where to get appropriate advice and support. This would be a key resource available through the One Stop Shop. Community energy groups could also be sign-posted to wider support already available to help social ventures e.g. Big Society Capital's funding directory, the Government's Funding Central site; Inspiring Impact's support to measure and ensure social impact and the Department for Business Industry and Skills information for Small and Medium Enterprises.

The support sign-posted and provided and/or funded by the One Stop Shop and through the Urban and Rural Community Energy Funds should be consistent with the guidance that is developed. Community Energy England and Community Energy Wales should also be involved in drafting and promoting this guidance.

The CARES programmes and Local Energy Scotland website provide a good model of how to provide such support and sign-posting. However it is important to ensure that any guidance and support offered is validated by financial institutions as well as other organisations with specific appropriate expertise (see below).

RECOMMENDATION 1: to DECC with input from community energy sector in England, Wales & Scotland:

- Commission guidance to be available through the One Stop Shop on expectations of professionalism and risk management approaches from investors and financial institutions, building on general support available for community groups, and linking this to the bespoke information required for renewable energy projects.
- Ensure UCEF and RCEF proactively promote and apply this guidance in making feasibility grants and development loans to community energy groups (see also Recommendation 2).

Issue: Lack of finance to secure required professional and technical advisors of sufficient quality and expertise, especially early on in the project development process.

Solution: The Rural and Urban Community Energy Funds are designed to provide grants and contingent loans to community energy groups in England to enable them to access professional support that they could not otherwise afford ahead of a community fund-

raise. However, there is a risk that the services purchased using these funds will not be acceptable to financial institutions for two reasons:

- a. The work procured has not been scoped out appropriately or provided under terms that meet market requirements, e.g. liability of advisor
- b. The selected professional advisor is not recognised by or acceptable to financial institutions, even if they have met market requirements.

An alternative approach that would reduce these risks is to provide the support via a pre-accredited panel of professional advisors under standard scopes of work and contracts that have been pre-screened to ensure that they are acceptable to the market. Rather than receiving funding to procure services, the community energy groups would receive the right to access professional services from a panel member. Funding would thus be transferred directly to the advisors from the fund operators. This is the approach already taken by the Cabinet Office's Investment and Contract Readiness Fund (ICRF), where potential social investors pre-accredit professional advisors and judge whether their proposed support for particular ventures will make them investment-ready, before providing grant funding. This programme has, for example, allowed a community venture to raise £10m investment following £100,000 worth of professional support. Some adjustment to the underlying model may be needed to suit the community energy sector, but the approach is sound.

This is also similar to the Local Energy Scotland/CARES programme in Scotland. As in the ICRF, the panel should be 'open' to new entrants (rather than a closed one-off procurement process) to avoid constraining the advisor market as community energy project development activity grows. In fact, an additional benefit of these types of models is building a market of experienced, bespoke professional support providers, with expertise in supporting organisations to achieve both financial sustainability and social impact objectives.

Issue: Lack of clarity from financial institutions as to what constitutes adequate professional advice. This means that it is hard for community energy groups to know in advance whether the advice they are receiving will ultimately be acceptable to financial institutions.

Solution: There are four primary categories of professional advisor: technical, legal, financial and insurance advisors. Conversations with finance providers has identified several ways in which projects can receive inadequate professional advice such as using an inadequate scope of works to save money, advice provided by a firm without sufficient professional indemnity insurance or advice from property lawyers who do not understand project finance requirements. Different banks use their own criteria to determine the acceptability of professional advisors and there are, as yet, no criteria that make a professional advisor acceptable to all.

If the approach suggested above of creating panels of pre-accredited suppliers is adopted, it will be important to ensure that, as in the ICRF, there is appropriate representation of financial institutions on the accreditation panels. There should also be a formal internal sign-off process from those potential providers of finance to ensure that the accreditation process has been properly considered internally to reduce the risk that financial

institutions reject the quality of accredited organisations when later presented with the technical reports that they produce.

RECOMMENDATION 2: to DECC and Cabinet Office and to RCEF and UCEF administrators

- Use the ICRF model to develop a community energy ‘investor readiness’ programme, embedded in the support available through the RCEF and UCEF, to support capacity buildings, designed around community energy sector needs including:
 - Developing of a screening framework, as in the ICRF, to accredit investor-acceptable professional advisors for use by community energy groups and tie this to funding available through RCEF and UCEF and any other government funds.
 - Involve representatives of financial institutions on accreditation panels so that any accreditation is meeting their needs for quality advisors to be used (reducing the risk that advisors’ work would be rejected at investment/financing stage).

Governance practice

Issue: Lack of management with the appropriate skills who devote sufficient time to the project, including professional staff.

Solution: A solution to this problem has three components:

- i. Community energy groups need clear guidance, provided by the RCEF, UCEF and the One Stop Shop and through other intermediaries, on the required skill set and the need to ensure that people with these skills are involved.
- ii. Funding, via the Rural and Urban Community Energy Funds and devolved administration funds, to provide access to these skills to groups.
- iii. Models need to be developed of partnership working with commercial or social enterprise renewable energy developers who have the required commercial skills.

Issue: Lack of appreciation by community energy groups of the need to take a professional approach to project development, particularly on the need to use advisors and suppliers of an appropriate quality.

Solution: In addition to the solutions proposed above, community energy groups should be required to demonstrate that they are taking an appropriately professional approach in order to access support from the One Stop Shop and the Rural and Urban Community Energy Funds.

This will require criteria to be developed as to what community groups need to have achieved to access various levels of support at different stages of development and it should be made clear that specific financial and professional support will only be available to those that can demonstrate that they meet those eligibility criteria.

RECOMMENDATION 3: to DECC, RCEF and UCEF administrators, and community energy sector

- Ensure the One Stop Shop provides clear guidance on required skill sets and how to identify/acquire/hire them in community groups.
- Ensure RCEF and UCEF funds are available to help groups secure these skill sets.
- Tie access to funds from RCEF and UCEF explicitly to need for community group applicants to demonstrate understanding of these governance needs and skills and that appropriate processes are in place to meet them.
- Examine opportunities for developing partnerships and/or capacity building initiatives between commercial and social enterprise developers and community groups to improve the latter's capabilities.

Community engagement

Issue: Lack of awareness of the importance of or unwillingness on the part of people wishing to set up community energy groups to engage with their broader local community.

Solution: As set out previously, the Government's interest in community energy is driven by the wider community benefits that these ventures can achieve. Therefore it is paramount that support is directed to those focused on ensuring that their projects meet the needs of the wider community. Demonstrating that community engagement has been or will be undertaken in a planned and meaningful way should be a condition of securing support from the One Stop Shop and the Rural and Urban Community Energy Funds. Guidance should also be issued from Community Energy England. Co-operatives UK (www.uk.coop) and CSE's PlanLoCaL resources (www.planlocal.org.uk) can provide support and examples of best practice.

RECOMMENDATION 4: to RCEF and UCEF administrators, and community energy sector

- Tie access to funds from RCEF and UCEF explicitly to groups meeting community engagement criteria and police effectively.

4. Access to development risk capital for community renewable energy in the UK

Developing renewable energy projects is a risky business which costs money – with costs and risks associated with planning, technical feasibility and design, grid connection etc.

Commercial renewable energy developers typically manage this risk by developing a portfolio of projects with the expectation of earning hefty premiums (relative to their costs) on those projects which are successful to make up for the costs they have incurred on those which fail.

Community groups tend to have only one project in development in their locality, resulting in a concentrated risk with a relatively high chance the project may fail and that any money spent on development will therefore be lost.

Yet without funding for this development phase ('development risk capital'), projects will not emerge. This barrier is acknowledged by the government and overcoming it is the principal purpose of both the Rural Community Energy Fund and forthcoming Urban Community Energy Fund in England, and similar grant and loan development support initiatives in Scotland and Wales. Some charitably-backed initiatives (such as FSE Group's Community Energy Fund) have also developed risk capital offers to address this problem. This funding requirement is also recognised to some extent by the Big Lottery Fund's upcoming £150m Power to Change programme, which provides grant funding to communities in development stages of sustainable solutions to local issues.

The Roundtable's Task Group on development risk capital assessed the projected need for development risk capital over the next 3 years (to end 2016/17) based on modelling done for DECC for the Community Energy Strategy. It then reviewed the funds which are currently available and/or committed in Great Britain to meet this need and established a database of these sources.

The Task Group also considered:

- whether the way in which that money was made available from these various sources was meeting the needs of the community energy sector (in terms of what it is available to pay for and the quantity in which it is available relative to the nature and scale of projects being developed);
- whether there was sufficient clarity on state aid issues associated with the funds available and how they impact on potential eligibility for FITs, RHI and other support mechanisms;
- community group perceptions of contingent loans (one of the principal types of development risk funding available) and how barriers to take-up could be addressed.

Risk capital needs and availability to 2016

Issue: What is the need for community energy development risk capital over the next few years to end 2016 and how does that compare with the amounts available and/or committed?

Solution: Using modelling undertaken for DECC for the Community Energy Strategy by Peter Capener⁴, the amount of development risk capital likely to be required to end 2016 is estimated at £30 million. This would lead to approximately 300 MW of renewable energy capacity. The amount corresponds closely with the total amounts committed through RCEF, UCEF and other development risk funds available in Wales and Scotland.

⁴ See <https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020>

The database developed by the Task Group of development risk funds available and their terms and criteria should be made more widely available and kept up to date (and any gaps filled) so that community groups and other interested parties can access it.

However, further work is needed to monitor and evaluate sector needs and how the funds are being used be confident that (a) the funds are available in appropriate amounts to make the most of the development opportunities available to community groups and (b) the total available remains sufficient to meet demand.

RECOMMENDATION 5: to DECC, Scottish and Welsh Governments, RCEF and UCEF administrators, Big Lottery Fund

- Ensure that the full £30 million of committed funds is available for community energy development risk funding to end 2016 and that funds are administered efficiently and professionally to maximise funding available to community groups (see also Recommendations 2, 3 and 4).
- Ensure that Big Lottery Fund 'Power to Change' programme links to RCEF and UCEF and ties in effectively with the approach outlined in these recommendations, avoiding duplication in the process.
- Monitor sector needs to ensure committed funds are meeting needs for development risk capital across full range of potential opportunities for community renewable energy projects.
- Monitor sector demand and commit early to topping up funds if demand is set to exceed currently committed levels.
- Make the database of development risk capital funding available to community energy groups developed by the Roundtable available via the One Stop Shop and task the One Stop Shop provider with improving and maintaining its accuracy over time.
- Explore other potential risk and bridging funding needs for communities, including within project acquisition, project construction, and on the community side of shared ownership opportunities.
- Explore ways to further tap into social investment potential, where social investors and grant funders are interested in ways to support community groups in setting up social enterprises such as community energy projects.

State aid

Issue: There remains confusion amongst community groups on how State Aid rules on grants and contingent loans (with premium repayments such as available in RCEF and UCEF) effect subsequent eligibility for support mechanisms such as FIT and RHI.

Solution: Guidance currently available from DECC and Ofgem on State Aid needs to be clearer and more specifically related to support available through RCEF and UCEF and other funds. While the risk can be transferred to community groups to declare their eligibility, this does not reduce the value of guidance which is specific to the terms of funds available from government. Given DECC and Defra, devolved administrations and Ofgem must have sought and received legal opinion in setting up these funds and to provide the limited guidance they do provide, it makes sense for these to be made more widely available.

RECOMMENDATION 6: to DECC, Scottish and Welsh Governments, Ofgem

- Make publicly available meaningful and clear guidance on State Aid implications specific to the development risk capital funds available (e.g. contingent loans repayable at a premium) rather than the more generic information currently available. Test this guidance with potential users in drafting to ensure it is clear, practical and helpful.

Community energy sector appetite for contingent loans

Issue: There appears to be a reluctance amongst community groups in general to take up the contingent loans which are typically available for development risk capital funding. This is potentially hampering progress in the community energy sector.

Solution: A range of factors appear to be inhibiting community groups from taking out contingent loans for their development costs. These include: a lack of experience of such instruments; lack of understanding of the nature of contingency involved; general risk aversion (particularly for volunteer groups); concern about repayment premiums (cf high street bank loan rates); historical expectations of grant funding; uncertainty about State Aid implications (see above).

These concerns all need to be addressed through effective guidance and proactive communications (particularly by the RCEF and UCEF administrators) on the rationale for the premium (and the revolving fund benefits for other groups), advice on the nature of risks involved and nature of contingencies included (both for community groups and for intermediary agencies), and clarity on State Aid issues associated with these sorts of loan facilities (see Recommendation 6).

RECOMMENDATION 7: to DECC with RCEF and UCEF administrators, DECC, Scottish and Welsh Governments, and intermediary organisations supporting community energy groups

- Develop and deliver an effective and proactive communications strategy and associated guidance, advice and training support for community energy groups to address concerns about contingent loans, including independent evidence on the 'reasonableness' and rationale for the risk premiums, guidance on the nature of the contingencies (and how they limit community group risk), and examples of the potential value which is being created through use of the development risk loan. This could also include examples/case studies of community energy groups that have used this type of finance and seen resulting benefits (or, as important, been released of the liabilities when their project failed to progress).

5. Raising finance from the public and protecting investors

Community energy projects typically seek to raise funds from individual members of the public in their locality to invest in their renewable energy project. This most often takes place after the risky development process (see Section 4) has been completed but before construction, so assuming construction risk and the risk of regulatory change during the construction process. There is a range of financial instruments that might be used to secure such investment from the public:

- Withdrawable share capital
- Transferrable Shares
- Loans
- Debt securities i.e. bonds and debentures.

Raising finance from the general public is an activity which is carefully and closely monitored and regulated. This is principally to ensure that investors have access to appropriate information from the organisation seeking investment to enable the investors to make informed decisions about their investment and its associated risks and likely returns. It is also to ensure that companies raising money from the public are clear about the purposes for which they are raising it so that investors have some potential to hold companies to account.

Given the growth in community energy fundraising activity in recent years, it is important to establish and maintain high standards of propriety across the sector. This is principally for three reasons:

- a. Investors losing money on the basis of misleading or dishonest information about their investment have the potential to undermine wider confidence amongst existing and potential future investors in community energy schemes;
- b. As more money is raised from the public in such activity, regulators will become more active if there are signs of poor practice;
- c. Full compliance with regulatory frameworks designed for much larger initiatives would add significant time and cost to a small community project, making many unfeasible.

The first two above are real 'rotten apple spoiling the whole barrel' risks and, in combination with the third, provide the justification for high standards embodied in a self-regulation approach. The Roundtable's Task Group therefore focused specifically on how to minimise the 'rotten apple' risks, while simultaneously improving understanding and raising standards within the sector's finance raising activities so that it can continue to avoid high cost regulation. This addressed both regulatory sensitivities and the promotion and adoption of good practice by community energy groups. The Task Group also considered:

- how best to make the case that investment in renewable energy projects has the potential to be rewarding and relatively 'low risk';
- the case for tax relief for such community energy investment (and which tax relief schemes might be most appropriate).

Key regulatory sensitivities (and how they might best be addressed)

The key regulatory sensitivities for any activity raising finance from the members of the public are essentially:

1. How offers are presented to potential lenders and investors
 - a. Are they fair clear and not misleading?
 - b. Is there a balanced view of risk and return?
 - c. Are all claims made substantiated?
2. Treating customers fairly
 - a. Appropriate targeting of offers
 - b. Clear and timely information to aid decision making/keep them informed
 - c. Good handling of complaints
 - d. Ensuring investment terms are clear and any differences between different types of investor are clearly spelled out.
3. Keeping money raised safe & people knowing where it is at all times (including transparency of financial management and use of funds in accordance with stated purposes).

It is considered vital that the community energy sector addresses these sensitivities, principally through effective self regulation. Indeed, this is a critical success factor in achieving scale.

Community energy investment is characterised by two main areas of activity, with most activity (and funding raised to date) currently in the first area:

- a. Exempt offerings (shares) issued by IPS and BenComs and
- b. Regulated offers (Loans, Debentures, Bonds & Ordinary Shares) issued by a variety of other legal forms.

Each route comes with its own default regulatory framework. For the exempt offerings this is currently relatively light touch. However, for the regulated investment options, the Financial Conduct Authority (FCA) provide rules which reflect the sensitivities outlined above and which are closely monitored and policed.

The Task Group identified concerns that some community energy groups using the exempt offerings route may be failing to balance their desire to enthuse potential investors with their project's potential with the need to ensure the sensitivities outlined above are addressed. If this is the case and such practices become common occurrences (i.e. high standards are not maintained in the absence of a strong regulatory hand), it is likely that the FCA will take steps to remove exemptions, in the interests of consumer protection.

To address this risk, the general principles and learning from the regulated space should, where appropriate and proportionate, be translated across to the exempt space so that all community energy projects raise finance to a high standard and with a balanced approach to consumer protection and opportunity.

The Community Shares Unit run by Co-operatives UK (currently with funding from DCLG) is in the process of developing a community shares handbook which is being developed in conjunction with the FCA to consolidate and document guidance on best practice arrangements for community share offers. The aim is also to develop a standard quality mark – or 'kitemark' – for exempt share offers which can

provide confidence and assurance in the market that an offer meets these best practice considerations. The UK Crowd Funding Association (UKCFA) principles were also considered a useful guide for the exempt sector and its work with the Institute of Fundraising could potentially be extended to support the kitemark.

The Community Shares Unit also felt it was important for the industry to benchmark activities and returns for projects in order that there is a tool for flagging public offers that present an anomaly and therefore might warrant deeper investigation. They should also liaise with the community energy bodies such as Community Energy England and Community Energy Wales to ensure that the specifics of community renewable energy are considered in the Community Shares Units thinking.

RECOMMENDATION 8: to Community Shares Unit, FCA, DECC, Cabinet Office, community energy sector, community energy finance sector

- Support the development of the Community Shares Handbook by the Community Shares Unit to document high standards for the management of Financial Promotions.
- The FCA should maintain the current exemptions and work with Community Shares Unit to enable effective self-regulation to high standards in the community energy sector and control costs associated with raising investment finance.
- The Community Shares Unit should work with representatives of the community energy sector and financial organisations (including crowdfunding organisations) to develop a Community Energy Finance Kitemark to set verifiable quality standards for all community energy public offers of Shares, Bonds, Loans, Debentures.
- DECC should ensure that the Community Shares Unit/Co-operatives UK is adequately funded to meet these needs in the context of community energy.

The development, dissemination and adoption of good practice for consumer protection

Following on from Recommendation 8 and the associated analysis above, community groups choosing to use exempt offers to raise finance from the public should aim to follow the guidance provided by the FCA which will be reflected in the Community Shares Handbook.⁵

In order to improve standards and root out poor practice, the Community Shares Unit and Community Energy England, Local Energy Scotland and Community Energy Wales should consider establishing a process for self policing the exempt share offers so that people can report anonymously any financial promotion or share offer that they feel are not meeting the guidelines. The Community Shares Unit and the community energy sector bodies can then consider how they deal with rogue operators. Given the risk to the wider movement's opportunities of poor practice by a few, such treatment should be swift and strict.

⁵ Another source of useful information is the recent Social Investment Research Council report which includes an extensive manual on regulations surrounding promotion of social investments, at <http://bit.ly/1nSOWkl>

RECOMMENDATION 9: to Community Shares Unit, community energy sector, community energy finance sector, DECC

- The community energy sector as a whole should follow the guidance from the CSU on best practice for investor protection, as appropriate for these particular groups and entities, in line with the Handbook and Kitemark developed as a result of Recommendation 8.
- The community energy sector should consider developing training for groups to help them meeting the requirements of the Kitemark and create an annual or bi-annual working group so best practice is shared between the different segments of the sector with the aim of continuous improvement and shared learning.
- The community energy sector, working with the Community Shares Unit, should create a process for people to report badly constructed share offers and intervene in offers where they have been poorly constructed and fail to abide by the guidance.
- DECC should commission a review of the first twenty major community energy offers to highlight good (and poor) practice and lessons to learn.
- DECC should provide initial seed funding to the sector to establish these processes and improve practice, with subsequent funding provided by the sector itself in recognition of the benefit to all groups of maintaining high standards of practice.

Making the case for renewable energy as a potentially ‘low risk’ and rewarding investment

The case for investing in renewable energy – and community renewable energy in particular – needs to be made to all stakeholders – regulators, community energy groups, government, current and future investors, including social investors. However, this should be based on evidence of actual investment performance against forecast (including their social performance) to benchmark how projects are performing in practice and thereby their actual risk profile. Such performance data should also include whether investors have been able to realise their investments as forecast (where relevant).

The benchmarking exercise could be linked to the Kitemark (with data provision being a condition) and could also collect data to enable deeper analysis of factors influencing performance, such as:

- Stage of investment (e.g. Development, construction, refinance);
- Technology (e.g. solar and wind are relatively mature though wind has more operational challenges, tidal is still relatively unproven);
- Diversification (e.g. an investment of £1,000 in a single site is likely to be higher risk than investing £100 in ten different sites);
- Skills and experience (e.g. more experienced teams or those working in partnership with other communities or developers may be lower risks than a small community going it alone for the first time).

The Community Shares Unit are starting to aggregate information and crowdfunding platforms such as Abundance and Trillion Fund are also collecting data on projects. It would also be advisable to draw the national community energy associations into the data collection process and review recent experience to capture good practice and lessons learned.

RECOMMENDATION 10: to community energy sector, community energy finance sector, Community Shares Unit, DECC

- The sector, led by Community Energy England, Scotland and Wales and with DECC's support, should work with a 3rd party – potentially the Community Shares Unit – to establish a monitoring process to monitor project performance against forecast. This should also include capturing the resale value of investment where relevant. This can be used to benchmark the sector performance against different investment classes (preferably using existing benchmarking methods).
- The Kitemark should include a requirement to report to the body established to monitor project performance.

The case for tax relief on community energy investment

In broad terms the Task Group considered renewables could offer a relatively low risk investment (whether commercially or community-driven), particularly where investment is post-construction. However it was recognised that the community energy sector has unique characteristics, which increase risk levels relative to other types of investment with an otherwise similar risk profile. While the performance of the renewable energy equipment owned by community groups is no different than that owned by commercial developers, there are nevertheless inherent risks in the community model, e.g. the smaller scale of projects, the lack of 'bankability' of projects (see Sections 3 and 6), the reliance on volunteers and the use of corporate structures such as BenComs which do not provide liquidity to investors. It is therefore felt important that community energy projects should retain their eligibility for EIS because this makes investment in them more attractive for investors (and on a par with other EIS investment opportunities) and goes some way to compensate for the additional risk at the earlier stages of investment.

It was also recognised that the Social Investment Tax Relief (SITR) could be an option for encouraging investment in community renewables in the future in ways which EIS currently does not. However, currently renewables projects that earn FiTS (ie of community scale) are not covered by SITR and the scheme has not been designed with community energy in mind. To address this, the current limit of SITR would need to be raised to reflect the higher fundraising goals of typical community energy projects. Nevertheless, community energy schemes are aligned with the purposes of the SITR and extending SITR relief for community energy projects (CIC & BenComs) would facilitate the raising of debt finance from social and community investors. This, along with the Kitemark on investment promotions, would help circumnavigate the lack of available bank debt finance faced by community energy projects.

In addition, there would be value (in terms of opening up community energy to a new market of investors) of allowing ISA status for loan and debt security investments by individuals issued by community energy organisations or through FCA accredited crowdfunding services.

RECOMMENDATION 11: to DECC, Cabinet Office and HM Treasury

- DECC and HM Treasury should support the retention of EIS and SEIS exemption for community renewable energy projects.
- DECC, Cabinet Office and HM Treasury should support the extension of SITR to community energy projects, with adjustments to its rules to suit community energy financing.
- DECC and HM Treasury should enable the extension of ISA status to debt instruments issued by community energy organisations or through accredited crowdfunding services for community energy.

6. Building a market for project debt for community energy projects

At an early stage in its proceedings, the Roundtable identified the limited availability of project debt – particularly in the form of non-recourse project finance⁶ – as a key obstacle to significant scaling up of the community energy sector.

This is an obstacle to scaling up because: (a) debt tends to be cheaper than equity in renewable energy projects so returns to shareholders can be enhanced by leveraging their equity with cheaper bank debt (making investment more rewarding), and; (b) it enables equity raised from the public to ‘go further’, potentially doubling or tripling the amount of renewable energy capacity a given amount of equity can deliver.

However, the reasons for the lack of debt in the market from the commercial banks for community energy project relate principally to two factors: investment readiness of the projects coming forward (see Section 3 above) and the transaction costs associated with delivering the debt as project finance in the size of loan typically required by community energy projects (£0.5 – £2 million).

This latter issue was explored by the Roundtable with a view to identifying ways to:

- lower the transaction costs for the banks (for example by standardising documentation);
- aggregate projects into appropriate sized ‘chunks’ to spread the transaction costs;
- find other ways to reduce risk and/or provide security to the lending banks (thus avoiding the costs of project finance).

It is reasonable to say that this area represents the least developed aspect of the Roundtable’s work. However, some clear conclusions and recommendations for further action can be drawn from discussions with the commercial bank members of the Roundtable (Santander, Triodos and, initially, Co-operative Bank) and the Green Investment Bank (GIB).

Bank transaction costs: the commercial realities

The relatively high transaction costs associated with project finance are associated with the specialist knowledge and due diligence required for each deal. It was clear from discussions in the Roundtable that the level of specialist resource and due diligence required has only a loose relationship with the size of the deal in question. Thus a £1 million deal is likely to have the same transaction costs as a £10 million deal, though clearly the latter is more lucrative to the banks over time through interest earned. For understandable commercial reasons, banks therefore concentrate their staff resources on making larger deals. These costs may also increase significantly the effective costs of debt on smaller deals at typical community project scale.

⁶ Non-recourse project finance is a form of bank loan in which the bank’s lending is effectively secured against the project’s future income stream. The assets in the project (such as the solar panels or the wind turbine) are not, in themselves, sufficiently valuable to provide security for the loan (in the way a house does for a mortgage). However, by operating effectively over their lifetime, the project has the potential to generate significant income. Project finance is specialised lending requiring expert teams and high levels of due diligence to assess whether the project has been designed and will operate to the required levels and to put in place all the documentation to enable the bank to ‘step in’ to the project in the event of default. This work and associated costs involved are largely independent of the size of the project or its loan requirements.

While the banks considered some benefits could be gained from standardising documentation for projects and using pre-approved professionals within the development process, these would not fundamentally alter these commercial realities.

Project aggregation: the commercial realities

Aggregating projects into portfolios of a commercially attractive scale could potentially open up opportunities to secure project finance from banks, particularly if documentation, equipment supply and operational management were all consistent across the portfolio. However, Roundtable members made clear that the additional complexity of organising security over all of the projects within a portfolio would mean that total transaction costs (staff resource and due diligence) may not be much reduced by such an approach. In addition, standardisation can itself cause portfolio risk (because a fault in one aspect is then common to all projects in the portfolio), which may reduce lender appetite for providing finance.

Reducing risk and providing other security for lenders

Clearly some aspects of renewable energy projects carry more risk and due diligence costs for a project finance provider than others. If these could be understood, it may be possible to target particular interventions to manage that risk and increase the potential for bank debt. While these risks are, in the main, not specific to a community project and are routinely addressed – at a cost – in larger projects (including larger community projects), it may be that there is a case for specific intervention to reduce these risks in smaller projects so as to encourage their development.

The Roundtable was unable in the time and resources available to characterise these different aspects and their risk profile. However we consider it a valuable exercise to inform the Green Investment Bank's consideration of its role in intervening to stimulate the market for finance for smaller wind (sub 18MW) and hydro (sub 8MW) projects, for which it has recently secured State Aid clearance. This work should therefore still be done to see if it offers any potential.

Similarly, reducing the impact of default on a commercial provider of project finance (by reducing their exposure to loss or by guaranteeing any losses experienced) could also prove useful in increasing interest from commercial lenders in offering debt to community energy projects, in spite of their size.

This could include another institution providing junior debt. This would involve it taking any losses first in the event of default, reducing the risk that a bank providing the 'senior debt' would be unable to recover its debt, except in the event of uninsured catastrophic project failure. However, the potentially most obvious institution, the Green Investment Bank, has a mandate which requires it to operate on market terms; this would limit its scope to perform this function and would certainly prohibit it from offering such a facility on non-commercial terms. DECC and the Cabinet Office should therefore consider other options for provision of junior debt, such as government-backed social investment institutions.

Reducing risk could also be done by providing government-backed loan guarantees of the sorts available to SMEs, oil and gas refiners, housebuilders/buyers, exporters etc. Such guarantees would effectively remove the need for a commercial lender to require a project finance approach, reducing complexity and costs. Lending would then be done on a more standard 'secured' basis without such extensive due diligence requirements. Given relatively low default rates in the renewable energy project finance markets in the UK, the exposure associated with such a loan guarantee scheme could be

low, particularly if the loan guarantees are only available to projects which have met investment readiness requirements laid out in this report.

RECOMMENDATION 12: to DECC, Cabinet Office, the Green Investment Bank, members of the Roundtable

- DECC and Cabinet Office should convene a small working group of the community energy developers, GIB and commercial lender members of the Roundtable to explore further the specific aspects of the financing risks in community energy projects and whether how they could be most efficiently de-risked (and if so, how). This should include a review of the extent to which these risks are considered and addressed appropriately by commercial lenders in their security requirements (e.g. charge over shares).
- DECC and Cabinet Office should explore the value of making a junior debt facility available to community energy projects in order to reduce a commercial lender's exposure to default and reducing significantly the risks for a project finance approach. This should include evaluation of the most appropriate vehicle to provide this facility.

RECOMMENDATION 13: to DECC, BIS and Cabinet Office

- DECC, BIS and Cabinet Office should review existing small business loan guarantee schemes available from government and apply these to community energy projects so as to recast bank lending as secured debt rather than project finance. This should include an assessment of the likely default rate (probably very low based on evidence from the renewable energy sector) and therefore the possible exposure/cost/collateral requirement caused by such a loan guarantee scheme.
- This review should include examining the State Aid aspects of taking this approach and how to minimise any limitations this might impose.

7. Summary of Recommendations

The 13 recommendations developed by the Roundtable and outlined in this report are reproduced below with a 'summary' for each recommendation. Together we believe they represent a comprehensive programme for action over the next 2 – 3 years to tackle the issues which are limiting access to and/or availability of finance for community energy projects.

Helping groups develop 'investment ready' projects

RECOMMENDATION 1: Provide and promote effective guidance on getting investment ready.

To: DECC with input from community energy sector in England, Wales & Scotland:

- Commission guidance to be available through the One Stop Shop on expectations of professionalism and risk management approaches from investors and financial institutions, building on general support available for community groups, and linking this to the bespoke information required for renewable energy projects.
- Ensure UCEF and RCEF proactively promote and apply this guidance in making feasibility grants and development loans to community energy groups (see also Recommendation 2).

RECOMMENDATION 2: Establish 'investor readiness' programme with accredited professionals and tie to RCEF and UCEF funding availability.

To: DECC and Cabinet Office and to RCEF and UCEF administrators

- Use the ICRF model to develop a community energy 'investor readiness' programme, embedded in the support available through the RCEF and UCEF, to support capacity buildings, designed around community energy sector needs including:
 - Developing of a screening framework, as in the ICRF, to accredit investor-acceptable professional advisors for use by community energy groups and tie this to funding available through RCEF and UCEF and any other government funds.
 - Involve representatives of financial institutions on accreditation panels so that any accreditation is meeting their needs for quality advisors to be used (reducing the risk that advisors' work would be rejected at investment/financing stage).

RECOMMENDATION 3: Support better governance practices/skills in community energy groups.

To: DECC, RCEF and UCEF administrators, and community energy sector

- Ensure the One Stop Shop provides clear guidance on required skill sets and how to identify/acquire/hire them in community groups.
- Ensure RCEF and UCEF funds are available to help groups secure these skill sets.
- Tie access to funds from RCEF and UCEF explicitly to need for community group applicants to demonstrate understanding of these governance needs and skills and that appropriate processes are in place to meet them.
- Examine opportunities for developing partnerships and/or capacity building initiatives between commercial and social enterprise developers and community groups to improve the latter's capabilities.

RECOMMENDATION 4: Tie access to funds from RCEF and UCEF to effective community engagement by community energy groups.

To: RCEF and UCEF administrators, and community energy sector

- Tie access to funds from RCEF and UCEF explicitly to groups meeting community engagement criteria and police effectively.

Access to development risk capital**RECOMMENDATION 5: Use committed development risk capital funds smartly and keep them topped up to meet demand.**

To: DECC, Scottish and Welsh Governments, RCEF and UCEF administrators, Big Lottery Fund

- Ensure that full £30 million of committed funds is available for community energy development risk funding to end 2016 and that funds are administered efficiently and professionally to maximise funding available to community groups (see also Recommendations 2, 3 and 4).
- Ensure that Big Lottery Fund 'Power to Change' programme links to RCEF and UCEF and ties in effectively with the approach outlined in these recommendations, avoiding duplication in the process.
- Monitor sector needs to ensure committed funds are meeting needs for development risk capital across full range of potential opportunities for community renewable energy projects.
- Monitor sector demand and commit early to topping up funds if demand is set to exceed currently committed levels.
- Make the database of development risk capital funding available to community energy groups developed by the Roundtable available via the One Stop Shop and task the One Stop Shop provider with improving and maintaining its accuracy over time.
- Explore other potential risk and bridging funding needs for communities, including within project acquisition, project construction, and on the community side of shared ownership opportunities.
- Explore ways to further tap into social investment potential, where social investors and grant funders are interested in ways to support community groups in setting up social enterprises such as community energy projects.

RECOMMENDATION 6: Provide meaningful guidance on State Aid as it applies to specific funding.

To: DECC, Scottish and Welsh Governments, Ofgem

- Make publicly available meaningful and clear guidance on State Aid implications specific to the development risk capital funds available (e.g. contingent loans repayable at a premium) rather than the more generic information currently available. Test this guidance with potential users in drafting to ensure it is clear, practical and helpful.

RECOMMENDATION 7: Proactively address community group concerns about taking out contingent loans for development risk capital.

To: DECC with RCEF and UCEF administrators, DECC, Scottish and Welsh Governments, and intermediary organisations supporting community energy groups

- Develop and deliver an effective and proactive communications strategy and associated guidance, advice and training support for community energy groups to address concerns about contingent loans, including independent evidence on the 'reasonableness' and rationale for the risk premiums, guidance on the nature of the contingencies (and how they limit community group risk), and examples of the potential value which is being created through use of the development risk loan. This could also include examples/case studies of community energy groups that have used this type of finance and seen resulting benefits (or, as important, been released of the liabilities when their project failed to progress).

Raising finance from the public and protecting investors**RECOMMENDATION 8: Support high standards for community energy financial promotions to the public with Community Shares Handbook and a new Kitemark standard.**

To: Community Shares Unit, FCA, DECC, Cabinet Office, community energy sector, community energy finance sector

- Support the development of the Community Shares Handbook by the Community Shares Unit to document high standards for the management of Financial Promotions.
- The FCA should maintain the current exemptions and work with Community Shares Unit to enable effective self-regulation to high standards in the community energy sector and control costs associated with raising investment finance.
- The Community Shares Unit should work with representatives of the community energy sector and financial organisations (including crowdfunding organisations) to develop a Community Energy Finance Kitemark to set verifiable quality standards for all community energy public offers of Shares, Bonds, Loans, Debentures.
- DECC should ensure that the Community Shares Unit/Co-operatives UK is adequately funded to meet these needs in the context of community energy.

Raising finance from the public and protecting investors (*continued*)**RECOMMENDATION 9: Follow best practice for investor protection in financial promotions and establish monitoring mechanisms to police quality.**

To: Community Shares Unit, community energy sector, community energy finance sector, DECC

- The community energy sector as a whole should follow the guidance from the CSU on best practice for investor protection, as appropriate for these particular groups and entities, in line with the Handbook and Kitemark developed as a result of Recommendation 8.
- The community energy sector should consider developing training for groups to help them meeting the requirements of the Kitemark and create an annual or bi-annual working group so best practice is shared between the different segments of the sector with the aim of continuous improvement and shared learning.
- The community energy sector, working with the Community Shares Unit, should create a process for people to report badly constructed share offers and intervene in offers where they have been poorly constructed and fail to abide by the guidance.
- DECC should commission a review of the first twenty major community energy offers to highlight good (and poor) practice and lessons to learn.
- DECC should provide initial seed funding to the sector to establish these processes and improve practice, with subsequent funding provided by the sector itself in recognition of the benefit to all groups of maintaining high standards of practice.

RECOMMENDATION 10: Monitor project financial performance against forecast to improve evidence base of risk and returns in community renewable energy investment.

To: Community energy sector, community energy finance sector, Community Shares Unit, DECC

- The sector, led by Community Energy England, Scotland and Wales and with DECC's support, should work with a 3rd party – potentially the Community Shares Unit – to establish a monitoring process to monitor project performance against forecast. This should also include capturing the resale value of investment where relevant. This can be used to benchmark the sector performance against different investment classes (preferably using existing benchmarking methods).
- The Kitemark should include a requirement to report to the body established to monitor project performance.

RECOMMENDATION 11: Retain EIS and SEIS exemption for community renewable energy projects, extent SITR (with adjustments) and enable ISA status.

To: DECC, Cabinet Office and HM Treasury

- DECC and HM Treasury should support the retention of EIS and SEIS exemption for community renewable energy projects.
- DECC, Cabinet Office and HM Treasury should support the extension of SITR to community energy projects, with adjustments to its rules to suit community energy financing.
- DECC and HM Treasury should enable the extension of ISA status to debt instruments issued by community energy organisations or through accredited crowdfunding services for community energy.

Building a market for project debt**RECOMMENDATION 12: Establish task-and-finish group to examine specific opportunities to de-risk lending to community energy projects and potential value and source of junior debt.**

To: DECC, Cabinet Office, the Green Investment Bank, members of the Roundtable

- DECC and Cabinet Office should convene a small working group of the community energy developers, GIB and commercial lender members of the Roundtable to explore further the specific aspects of the financing risks in community energy projects and whether how they could be most efficiently de-risked (and if so, how). This should include a review of the extent to which these risks are considered and addressed appropriately by commercial lenders in their security requirements (e.g. charge over shares).
- DECC and Cabinet Office should explore the value of making a junior debt facility available to community energy projects in order to reduce a commercial lender's exposure to default and reducing significantly the risks for a project finance approach. This should include evaluation of the most appropriate vehicle to provide this facility.

RECOMMENDATION 13: Review existing small business loan guarantee schemes with a view to applying them to community energy projects to de-risk bank lending.

To: DECC, BIS and Cabinet Office

- DECC, BIS and Cabinet Office should review existing small business loan guarantee schemes available from government and apply these to community energy projects so as to recast bank lending as secured debt rather than project finance. This should include an assessment of the likely default rate (probably very low based on evidence from the renewable energy sector) and therefore the possible exposure/cost/collateral requirement caused by such a loan guarantee scheme.
- This review should include examining the State Aid aspects of taking this approach and how to minimise any limitations this might impose.

Appendix: Members of the Community Energy Finance Roundtable

The following people participated in the Community Energy Finance Roundtable's work developing this report and recommendations between February – July 2014.

Karl Harder	Abundance Generation
Peter Capener	Bath & West Community Energy
Sarah Hickey	Cabinet Office (Social Investment & Finance)
Simon Roberts	Centre for Sustainable Energy (Chair)
Roger Ong	Charity Bank
Simon Borkin	Community Shares Unit
Ben Hughes	Community Development Finance Association
Alasdair Grainger	DECC (Commercial)
Fiona Booth	DECC (Community Energy Strategy)
Lucy Morgans	DECC (Office of Renewable Energy Deployment)
Richard Braakenburg	Green Investment Bank
Mike Smyth	Energy4All
Jon D'Este-Hoare	FSE Group
Robert Rabinowitz	Pure Leapfrog
Mick Brown	Robert Owen Community Banking
David Rogers	Rural Community Energy Fund (WRAP)
Howard Whitehead	Santander
Julia Groves	Trillion Fund
Philip Bazin	Triodos Bank

Proviso

Community Energy Finance Roundtable members contributed their experience and perspectives to the process in a voluntary capacity. While there was general consensus around the analysis of the challenges and the thrust of the recommendations in this report, it should not be assumed that every member of the Roundtable unreservedly endorses all of this report.