Article

Community Energy Companies in the UK: A Potential Model for Sustainable Development in “Local” Energy?

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Abstract: The rise of renewable energy sources (RES) comes with a shift in attention from government and market energy governance to local community initiatives and self-regulation. Although this shift is generally welcome at domestic and EU level, the regulatory dimension, at both levels, is nevertheless not adapted to this multi-actor market since prosumers are not empowered and energy justice is far from achieved. The rise, in the UK, of Community Interest Companies (consumers and local actors’ collectives) in the energy sector provides an interesting perspective as it allows a whole system’s view. Research was conducted with six energy community organizations in the South West of England in order to evaluate their role and identity and assess whether this exemplar of “the rise of a social sphere in regulation” could be used as a model for a more sustainable social approach to the governance of economic relations. Findings illustrate that such organizations undoubtedly play an important role in the renewable energy sector and they also help to alleviate some aspects of “energy injustice”. Yet, the failure to recognize, in terms of energy policy, at domestic and EU level, the importance of such actors undermines their role. The need to embed and support such organizations in policy is necessary if one is to succeed to put justice at the core of the changing energy landscape.

Keywords: energy transition; renewable energy sources; energy poverty; community interest companies; the United Kingdom; social justice; sharing economy; regulation; governance

1. Introduction

Following the rise of renewable energy sources (RES), the UK and European energy sector is no longer the preserve of either the state or the market. Indeed, in recent years, the energy sector has witnessed, in the UK, (and elsewhere such as Denmark, Sweden, Holland, Germany, Belgium and further afield) [1–3] a renewed interest in entrepreneurial cooperation, in the form of “communal/collective” undertakings with energy cooperatives. The UK and the EU appear to welcome such a vision of citizens and local actors regulating where the state retreats [4–8], because “the energy market does not seem to live to its desired sustainability objectives” [9]. Yet, the current regulatory dimension is not adapted to this multi-actor market since it fails, both domestically and at EU level, to define with any precision the identity of such actors—are they consumers, citizens or even “prosumers” [10]?—and their precise role within the market.

This creates two distinct yet connected problems. First, the regulatory gap in the governance of decentralized RES production by citizens, market and government actors fails to empower the “prosumer”. Second, on the consumption level, in spite of the recognition of the right of access to services of economic general interests by the Nice Charter, as the (Europe-wide) rise in “energy poverty” [11] highlights, vulnerable citizens are not adequately protected either. This is not a new phenomenon. As noted by Professor Prosser, with the privatisation of former state-owned utilities,
“one of the most fundamental problems of modern law is how to attempt to reconcile the values of markets, rights and social solidarity and how to deal with the tensions between them” [12]. This age-old tension between “the market, rights and social solidarity” therefore unfortunately persists. Given the shared responsibility of the EU and the Member States in this field, a coherent solution [13] throughout the sector must consequently be found not only to empower “prosumers” by defining their role, but also to protect the more vulnerable and help achieve “energy justice” [14–21].

In this light, the rise in the UK of Community Interest Companies (consumers and local actors’ collectives) sharing ownership of renewable energy projects with private developers offers an interesting perspective: by providing a link between consumption and production, they allow a whole systems’ view. Furthermore, given the importance of energy for social inclusion, and the recognition that tackling social inequalities and environmental factors should go hand in hand [22], such forms of “communal undertakings” seem to allow efficient economic transactions within a social landscape. As such, they appear to provide “a” way forward to achieve smart, inclusive and sustainable growth [1].

To assess whether this exemplar of “the rise of the social sphere in regulation” [23] could indeed help to provide a more social approach to the governance of economic relations and also achieve energy justice, a practical industry perspective is necessary so as to understand the identity and role of such local actors. This is the main aim of this research, which draws upon in-depth semi-structured individual interviews with representatives of community energy collectives in the South West of England [24]. After a theoretical background to put energy in its EU and domestic context, the method will be presented, followed by the analytical findings. Discussion and conclusion will end the paper.

2. Theoretical Background: Energy in Its Social and Policy Context

2.1. The Social Importance of Energy in the European Context

Energy has long been recognized as central to a modern economy [25]. Indeed, energy is part of the “basic structure of society”, which is “the primary subject of justice” [26]. Although the social importance of energy is beyond doubt, this only came to be recognized at EU level, with the opening up of former state monopolies and the reduction of the welfare state [27,28]. A clear social-oriented EU policy was cemented with the formal recognition of “services of economic general interest” in the Treaty of Amsterdam [29], and their access protected by the Charter of Fundamental Rights [30].

As noted in the introduction, this policy has however failed. This is regrettable since the issue of energy justice has not disappeared. On the contrary, it has in fact been put in further jeopardy when viewed from the wider lens of climate change and energy security. As the three pillars of the European Energy policy highlight—sustainability, competitiveness and security—tensions are of a more intense nature, creating what has been termed the “energy trilemma” [20]. Trying to understand why the policy failed is crucial so that we can learn from it.

By recognizing energy as a “service of general economic interest”, the European Commission aimed to place energy as a “key element in the European model of society” [31]. However, in spite of a seemingly dominant “‘rights’ rhetoric” [32] and the recognition of the need to treat vulnerable consumers more as “citizens”, and consequently give them “social” rather than “market rights”, the bulk of the legislation in this domain still focuses on the need to increase choice and support “the active information seeker” [33] to the detriment of the more vulnerable. The notion of vulnerability is particularly acute for energy since the notion of energy poverty is still ill-understood. Indeed, although fuel poverty tends to centre around those more socially vulnerable such as the old, the infirm, those who are in rented accommodation, the issue is more complicated as it also touches on those in rural areas as well as students [21]. The move from market rights to social rights did not really materialize [34]; substantively, very little changed.

Central to this, it seems, is the failure to properly address the distinct nature of a “citizen” (as opposed to a “consumer”) [35,36] leading to the lack of a concrete articulation of the underlying principles of the concept (failure to define clear social rights) and its ensuing needs for effective
protection. Crucial links between EU citizenship and private law have also been missed [36]. By failing to put justice at the core of the concept of “citizen”, a concrete “public services” policy consequently failed to emerge. This is particularly pertinent to our aim; although member states and the EU welcome the entry of new actors on the market as part of the solution to reach sustainability objectives, with the lack of a clear articulation of the socio-legal identity of such actors, the danger of repeating previous mistakes is strikingly present.

Indeed, one only needs to consider the latest EU initiatives such as the Energy Union Framework Strategy (Com (2015) 80 final) and the “Clean Energy for All Europeans” proposal of November 2016 to highlight this danger as a distinct possibility. This latest initiative aims at bringing “citizens at the core of the Energy Union” by allowing them to “take ownership of the energy transition”. However, whereas the European Commission still refers to “consumers”, the Energy Union refers to them as “citizens”. The proposed directive for a common position on electricity does recognize the need to protect vulnerable consumers and welcome the role of community organizations, yet, the lack of definition on the latter and the still prevalent market-type rights means that the problems are still not alleviated [37]. The lack of coordination is still present [38,39]. The situation is not much better at a UK domestic level.

2.2. The Context of the UK Energy Market

Following climate change threats and the need to reduce greenhouse gas emission, the current UK’s policy is to generate 30% of electricity from RES by 2020 [40]. The rise of such sources [41] has changed the energy sector since different actors have now entered the market (individual, household, community and business organizations), playing different roles at different levels [42]. The move to “decentralized energy systems” [43] was encouraged by a series of governmental strategies [44,45], allowing the sector to grow [46].

An important role has been played by the Shared Ownership Policy, published in 2014 [47], which aims to “facilitate industry-community models of shared ownership for new commercial onshore renewable developments” [47]. The motivation for supporting such collaboration is the non-commercial nature of such local actors and the hope that their involvement will combat NIMBYism [48]. The policy saw such involvement as crucial not only for the future of renewable energy but also for the parties concerned [47], (at 2.2). The policy was very ambitious with the threshold in England at 2.5 M project with a sliding scale of 5–25% share to the community [47], (at 1.7). The policy left complete freedom to the parties concerned over the form of their collaboration since it could be a straight-split ownership, shared revenue or a joint venture [47], (at 3.27). Although the policy was described as voluntary in its nature, it was made clear that it would become mandatory if no sufficient progress was made [47], (at 1.5). A final report, produced in 2014, highlighted the sector as potential sector growth [49].

This appears indeed to be the case; in spite of the reduction of the Feed In Tariff scheme, a change in government, leading to a reorganization of department (DECC, the Department of Energy and Climate Change has been closed and is now part of the new department Business, Energy and Industrial Strategy (BEIS)) (and Brexit), local actors, far from disappearing, have strengthened and diversified [50]. Given the high cost (and still rising) of energy in the UK [51], and the fact that fuel poverty is still a serious problem, this rise should perhaps not come as a surprise. In spite of their expansion, the role and identity of such organizations is still remarkably unknown [52,53]. In order to obtain critical insight and a practical industry perspective into the dynamic underpinning of such actors in the South West of England, an exploratory empirical study was undertaken. The aim of this research is to fill this identified gap in our knowledge about the workings of an important part of the energy sector with a view to gaining a better understanding of how to achieve energy justice in this changing landscape. This has never been more important from a policy viewpoint, given the recent downgrading of the governmental pledge to eradicate fuel poverty [54].
3. Method

Research was conducted upon six energy community organizations in the South West of England in order to evaluate the role and identity of such organizations. To that end, a qualitative empirical approach comprising in-depth semi-structured interview [55] was adopted to understand:

1. How such organizations work in practice and
2. What kind of impact such forms of “collective undertakings” have on the communities they engage with.

The focus is to assess how such organizations interact with local developers and with the communities in which they are embedded in order to understand whether such organizations can successfully navigate the conflicting demands that their relations with the developers as well as with the community put upon them. Indeed, only by understanding the particular needs of each relationship and how they relate to each other can we understand the role they play and use it to help to legislate for and then regulate for a truly efficient system with justice at its core. To this end, an inductive method was used within this exploratory research. Through a systematic analysis of transcribed interviews in the context of the research questions, factors that either hinder or facilitate the aforementioned relations of the participating organizations were recorded. These factors were consequently coded into the following themes: (i) the importance of truthful relations between the local actor and the developer; (ii) the crucial role of (local) commercial developer; (iii) the weakness the non-business status of local actors to developers; (iv) the important role of local authorities and other forms of “external help” and (v) indices of success to representing the community the local actors are embedded in. The impact and implications of each of these factors are evaluated further in Section 4.

Participating organizations were identified and recruited through three main sources.

1. A renewable and local energy event organized by Regen (April 2015, Exeter)
2. An Exeter law firm specializing in local energy (June 2015)
3. A community energy seminar at the University of Exeter (July 2015).

Eight community energy organizations within the South West of England were approached, of which six agreed to be interviewed. Given the (then) governmental focus on solar energy as a form of renewable energy, the particular organizations were chosen with that focus in mind. The participating organizations were all between one and seven years old at the time of the research. Three out of six had a healthy portfolio of established share ownership projects as well as some still in development. A reasonably similar picture emerges from a national survey conducted in 2016 by Community Energy England [56]. Of the three participating organizations who had yet to start on some projects at the time the research was conducted, one has however since folded. The other, which has not succeeded in getting a share-offer off the ground remains in existence playing a consultative and educational role. The last one is still working on getting a share-offer. Five participating organizations have adopted the same legal form, that of a Community Interest Company, a special type of limited company, which exists to benefit a community rather than private shareholders. CICs were established as a new organisation form for social enterprises by the Companies (Audit, Investigations and Community Enterprise) Act 2004 and are regulated pursuant to the Community Interest Company Regulations 2005. One, community B, chose the legal form of an Industrial Provident Society and did so purposively so as to allow the venture “to operate as a pure commercial company”.

The two organizations, which did not take part into the research, one simply did not reply to several calls for participation. The other declined because of the legal focus of the research. Those were some of the most successful local organizations in the region, their insight as to how to reach success would have therefore been welcome.

All interviews were conducted face to face. Four of the interviews were conducted with the managing director and/or the founder of those organizations; one interview was with the low carbon
officer of that organization. For the last participating organization, the interview was done with members of the board as well as volunteers, six in total. This was done at the request of the participating organization, which wanted to ensure all voices were heard. The interviews were conducted between July and September 2015, with a follow up interview with communities C and D in June 2016 in order to assess progress with their share offer. Each interview lasted between 45 min and 1 h. Informed consent was secured for each participating organization and anonymity was guaranteed to all of them.

An outline of the main characteristics of the six communities who participated in the research is shown in Table 1 below:

<table>
<thead>
<tr>
<th>Community</th>
<th>Legal Form</th>
<th>Creation Date</th>
<th>Purpose</th>
<th>Share-Offer Setup?</th>
<th>Whether Still Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Community Interest Company</td>
<td>2013</td>
<td>Social/fuel poverty</td>
<td>On 21 primary schools, on 6 secondary schools and on a business park</td>
<td>Yes</td>
</tr>
<tr>
<td>B</td>
<td>Provident Society</td>
<td>2007</td>
<td>Green/local investments and help the community prosper</td>
<td>8 active projects on the following: two local farms, a local surgery, local offices, a community center and a housing association</td>
<td>Yes</td>
</tr>
<tr>
<td>C</td>
<td>Community Interest Company</td>
<td>2014</td>
<td>To establish local community projects</td>
<td>8 active project on the following: a council-owned local library, a local college, a medical center, a local organic farm, a church, two community center (one council-owned) and council offices</td>
<td>Yes</td>
</tr>
<tr>
<td>D</td>
<td>Community Interest Company</td>
<td>2014</td>
<td>Achieve local energy and generate money for the community</td>
<td>Still in the process of setting up a project</td>
<td>Yes</td>
</tr>
<tr>
<td>E</td>
<td>Community Interest Company</td>
<td>2011</td>
<td>Achieve local energy</td>
<td>No, local actor has folded</td>
<td>No</td>
</tr>
<tr>
<td>F</td>
<td>Community Interest Company</td>
<td>2013</td>
<td>Educational/consultative</td>
<td>None</td>
<td>Yes</td>
</tr>
</tbody>
</table>

As the research aimed at understanding the role and identity of local actors and what their relations are both with the commercial developers and with the community they are set in, a standard set of questions was asked. These questions aimed at identify and explore the status of the organization, the main reason for being set up, their experience of shared ownership with local developers, how they dealt with local developers, how they saw their relation with the local community within which they are embedded, what their view of the future of the renewable energy sector was and how they saw their role developing in this future. As each participating organization was at a different stage of development, the open-ended nature of the semi-structured interview allowed the varying experience and hurdles to getting a share-ownership project going, how to launch a share offer, how to deal with the public to be fully captured.

Each interview was recorded with the permission of the participating organizations and transcribed. The interviews were then analyzed thematically in the context of the research questions, and the coding framework as indicated above. The analysis was done solely by the author of the paper.

4. Analytical Findings

The table below represents a brief summary of the counter competing factors between local actors, developers and the community.

As Table 2 clearly shows a multitude of factors that impact between and within relationships, it is important to understand how local actors deal with such distinct demands in the context of the relationships they have with the developer on the one hand and the relation they have with the
community they serve on the other hand. This requires a greater in depth evaluation of the findings in that order as discussed below.

Table 2. Summary of counter-competing demands on the local actors.

<table>
<thead>
<tr>
<th>Community</th>
<th>Navigating Shared Ownships on the Ground: Important Factors</th>
<th>Relation with Developers</th>
<th>Relation with Community</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Themes to Relation as trust established from the start as local actor is council-backed</td>
<td>Stron g relation with local council from the start</td>
<td>Strong support from the local council from the start</td>
</tr>
<tr>
<td>A</td>
<td>High legal cost</td>
<td>Lawyers on the board and Loan from green-investment bank</td>
<td>Not overcome, project abandoned, but support obtained for a different project</td>
</tr>
<tr>
<td>B</td>
<td>Values of both parties too far apart</td>
<td>Finding a local developer with similar values</td>
<td>Start with what the local community wants and get the objectives to fit around it</td>
</tr>
<tr>
<td>C</td>
<td>Lack of skills to negotiate with developers</td>
<td>Forms and training provided by Devon City Council to get negotiations started</td>
<td>Representing the needs of the community</td>
</tr>
<tr>
<td>D</td>
<td>Lack of a coherent plan</td>
<td>Not overcome as local actor folded</td>
<td>N/A as local actor folded</td>
</tr>
<tr>
<td>E</td>
<td>Role now purely educational and advisory</td>
<td>Having a good sense of direction</td>
<td></td>
</tr>
</tbody>
</table>

4.1. The Relation Between the Local Actor and the Developer: Experiences of Shared Ownership on the Ground

Early review of the shared ownership policy highlighted that, although well-meaning, it was not so easy to apply following a lack of alignment between the goals of commercial developers and those of community organizations, especially over the issue of trust [42]. Our research appears to confirm, as well as add, to such “micro-problems” [42].

4.1.1. The Importance of Truthful Relations between the Local Actor and the Developer

The different nature of the status of the parties involved in such a partnership and the perceived differing motivations for coming to such projects was undoubtedly a problem. The participating organizations viewed the developers’ financial motivation for entering into such partnerships with some suspicion, highlighting a problem of trust between the parties right from the start. Community C stated this was so even when they were negotiating with a developer “with a good reputation in the community energy field” since their values were described as primarily “profit led”. As a result, community C stated “Unless they start having let that value impact on their financial decisions, then we are streets apart”. Our findings also highlight a lack of trust over the motivation for entering into such partnerships. Community D stated “they are going through the motion of what the planning, they think, will be accepted by the planners”. Community C stated “the motivation is completely different”. Community C added, “I have yet to meet any organization that really embraces those community values”. The fact that the policy left freedom to the parties over the mode for the partnership also appeared to be a problem. Indeed, it was reported that the lack of business model, the lack of “know-how to” was a hindrance since the developer “would not know how to do it and there is no
model as to how to do it” (Community D). A further problem appears to be the asymmetry in terms of size leading to a lack of transparency (Community D).

4.1.2. The Crucial Role of (Local) Commercial Developers

As time passed however, things appeared to improve, highlighting a positive evolution of the relationship between the parties over some of the trust issues, even, it seems, with the bigger commercial developers. Of particular importance was the fact that the relations were being developed with local developers, who are seen as being more aware of the needs of local actors. All the participating organizations that have set up (or are in the process of) of preparing shared-ownership ventures worked with local developers. To do so was beneficial because, as community D stated, “they need to maintain a good relation with the community”. It seems that the local nature of the venture is also important for the developer. Indeed, community D was in the process of negotiating with two developers, a local and a non-local one. Commenting on the clear distinct attitude of the two developers, community D stated about the local one “they would like to do it because their CEO has been saying a lot how wonderful these community schemes are, so, they would like to find a solution”. On the other developer however, community D stated, “they would simply want to go through the motion and say, yes of course we have tried to talk to the community”.

Using local developers is also seen as an advantage because of their past experience with other shared-ownership projects, their awareness of the process and what needs to be done. This seemed to be particularly true after the reduction of the Feed In Tariff scheme (FIT thereafter) especially for community C, which share offer had to be sorted within a particularly tight deadline. Commenting on that particular event, community C praised the developers for their swift reaction to the tight deadline. This appears to confirm the existence of a “virtuous circle” [42], the more experience parties have of a particular process, the easier the process becomes, and therefore the trust grows. This virtuous circle appears particularly true for community D, which stated that, at the beginning the developer did not appear to negotiate in good faith but “once the process was started I would say now that there is good faith”.

The situation is not entirely negative with bigger commercial developers either since some communities accept that the venture can also be risky for them. Community D states “I can see from their point of view that dealing with us adds a lot of risks and complications”. This also highlights that a better understanding of each other’s needs increases trust and therefore improves the relationship [42]. Once again highlighting the virtuous circle.

4.1.3. The Weakness of the Non-Business Status of Local Actors to Developers

The fact that local actors are not businesses is important to the community they are set in, yet, it is clearly a weakness in their relation with the developers, who see them as lacking resources and specific skills [42]. This lack of skills and resources is also seen as a weakness by the participating organizations to this research. For instance, community B commented on the high legal costs of entering into a contract with a developer. Community D added that they had sought professional advice on the tax implications of a particular project and stated “but we cannot do that for everything”. The fact that such organizations are run by volunteers is very demanding and puts a lot of pressure on the organization, especially at the early stage. Community B remarks “this has all been done by someone who has a masters in renewable energy and he is doing it for nothing. However, his wife is working as a teacher and that is not supporting them so they need an income and sooner or later he gets to the point where he cannot continue to do that for us. And then our business model is down the pan”. Community D states “we are a small number of volunteers doing this on a voluntary basis with skills which we are not specialists of in this area”. This particular problem is clearly not restricted to local actors in the South West judging from the survey conducted by Community Energy England [56]. Interestingly, such problems were not encountered at all by community A. The fact that it was backed up by the local council therefore appears to have played a crucial role.
There is however a recognition that the dedication of volunteers is nevertheless crucial for any project to succeed. Community D stated “you need a group of dedicated people who are going to take it (the project) forward” (emphasis added). Communities C, E and B all have lawyers on their board and both commented on the extreme importance of such skills in the success of their venture. This creates a conundrum in relation to procedural justice, which will be explored further in Section 5. This dedication is of crucial importance. Yet, dedication alone however is not sufficient to succeed. A good local support, to which we turn, is also necessary.

4.1.4. The Important Role of Local Authorities and Other Forms of “External” Help

External help was important for all the participating organizations to succeed. Help came primarily from the local authority in two areas. First, to ease the problem of lack of resources Community A was started, with money from the local authority and staff from the council were on loan to the organization. This has undoubtedly made the organization more viable and ultimately more successful as community A’s representative acknowledged. This seems to have generated resentment in community B which stated “let me tell you about it, they were offered all the roofs of the school of (the town) and that was a given, so, yes of course they are a success”. Community B had to borrow money to cover those legal costs. Second, local authorities can also help with the lack of skills, in the form of training, which is also crucial at the negotiations stage [42]. Community D, commenting on the role of Devon County Council stated “they have done quite a bit with training on planning, share issues” and even on legal aspects. Community C states that Devon County Council had produced template documents and this helped since “lawyers will be needed of course but they do not have to develop it from the start. The importance of third parties was also highlighted by Goedkoop and Devine-Wright’s findings [42]. The lack of practical skills appears to be a problem to all local actors nationwide and not simply to those involved in our research [42].

The support of the local authority for the shared-ownership project itself can also play a more crucial part at the negotiation stage with developers. Community F does not have the support of the Council and for one director this has played a significant part in the lack of progress from the organization describing their relationship with the council as “very rocky”. The need for a good working relationship with the local council appears important. As highlighted in Table 1, Community C has solar PV on the roofs of several council-owned buildings (library, local council offices, and a community center), the council as well as on the local library. It is also confirmed by community B, which reported a difficult relationship with the local council because it seems that “the officers at the time did not want to lose control”. Following a change in the local parish, the benefits of working together have prevailed and in the words of community B “we are back in business with them with the local housing association”. This is highlighted in Table 2.

Working closely with local parishes also brings a different advantage, that of “economy of scale”. Indeed as recalled by community D, “the initial project was with one parish but it was quite difficult, so we put five parishes together, five parishes of about 2000 people”. This seems to be important for developers since it means that the local actor truly represents the community. Community D commented that the negotiations with the developer went considerably better once “we got recognition from the parish council that were representing the community”. This brings us to the crucial question of what/who the “community” is.

4.2. The Relation between the Local Actors and the Community They Serve

All the participating organizations to this research undoubtedly have at their heart, the idea of benefiting the local area i.e. the “community” that they are in. Community C states “we want to make it more local, to create a local supply and have the money from the energy staying in the local economy”. In a similar line, community B is aware of its clear impact on the local economy “when we organize a meeting, we book a hall, so that goes into the local economy. Our accountant is local, the printing is local. We are spending in the local businesses and the returns also go to the local economy
i.e. the local shareholders’ return”. Likewise for community D, “the important thing is to generate money for the community”.

Representing the Community the Local Actors Are In: Indices of Success

In order for a local energy actor to succeed, it is important, it seems, to have a clear idea as to what they want to do, but also have realistic expectation as to what can be done within the community they are in, geographically as well as when representing the people of the community [57]. Community B on the folding of community E stated that this was because “they tried to do too much”. Similarly, community F, which is currently struggling to find a higher level of engagement with the public in the form of share offers, appears to lack a clear sense of direction. When two of its directors were asked whether they would consider not succeeding in getting a shared ownership project off the ground as a failure of their organization, one said yes but the other said no. Community F stated “we are trying to find out who we are”. This appears to be corroborated by community B, who stated that a clear sense of direction is crucial: “You need to have a clear business model and then an activity that fits that model and not the other way around”. Community D concurs by stating that “you need a good strategy”. Community C on the contrary stated that was important was “recognizing the needs of the locality and then do something according to those needs”. This “adaptability” is important and appears to confirm a persisting heterogeneity of the sector, to which we turn.

The heterogeneity of the participating organizations to this research is perhaps not so surprising given the ambiguity of the term “energy community” already identified in the literature [52,53]. Although this heterogeneity appears to be part and parcel of such local efforts, a fact more recently highlighted by the Ofgem report [50], it nevertheless makes it more difficult to define the identity of such local actors. The “communities” where such local organizations are situated will vary depending on the geographical and demographic areas. In turn, this will mean that the aims will also vary. This reinforces the importance of having not only clear, but perhaps more importantly, achievable aims in order to succeed. To do so however such aims must be embedded and therefore compatible with the community where the local actor is situated. Indeed, when asked whether they had links with organizations to tackle fuel poverty, community B’s answer was “No. It is not that we are against it or that we do not recognize the value, but simply that it is a different enterprise. It is structured differently, you need different skill set”. This is further corroborated by community D, which was created out of a pre-existing community organization, which aim was to run workshops for poor households. However, the strategy was not successful and as community D stated “we ended up advising relatively wealthy people on how to save energy and reduce their bills”.

The type of activity that is going to succeed appears to be determined by the community that the local actor finds itself in. This brings us back to the need of a good relation with the local authority of that community. Community B originally tried to set up wind farms. That however fell through, chiefly it seems, because of the negative reaction of the local council. Community B stated “you must remember that the biggest employer in this area is old folks’ houses and with a lot of people coming to retire around here and spending it all on properties, this is where the rich come and die so they want it nice and unspoiled”. A similar problem was faced by community D, which was aware of the need for any scheme “to have minimal visual impact” in order to obtain local support. To embed the local actor within the community will encourage participation, which, in turn will help alleviate NIMBYism.

There also appears to be a correlation between the type of activity undertaken and the demographic of the organization. For instance, community B, which is now a reasonably successful investment organization in the sector nevertheless highlights a financial bias. Indeed, it seems clear that community B is now seen as a safe bet financially speaking since for one of their recent share offer, they were approached by a specialized bank to help fund their share offer. However for community B, the share offer is restricted to members. This should of course not be taken against that particular organization since it confirms that “social enterprises are not alchemists and irrespective of sector, no organization has discovered the formula for making markets without resources” [58].
On the other end of the scale, community A, which is council-backed, has a much stronger fuel poverty agenda than community B, which is in a more affluent area. Community A commented that “50% of our investors invested just over £300”. Community A added that it is important to have “a holistic approach” and link with other community organizations such as housing associations and the Citizens Advice Bureau (CAB) as well as health professionals. As previously mentioned, community A was started with the support of the local council. Community A stated “there are two bits to the relation. One bit is a delivery relation, the other one is general support, I suppose”. Community A also commented on the need for a better integration of all the services. Community A stated “what we are trying is join all the dots. The link between cold homes and health has already been proven, and yet there is no action to do anything about that ( . . . ). So, let us help”. Community A also commented on the need for better education for people to understand about energy bills. Community A stated “the home energy team often gets referral from people who are £1000 in debt. The level of awareness of why that debt has built up is important”. Yet, this is where the potential for such organizations is crucial and where a different kind of virtuous circle can be created. By educating and empowering the vulnerable, they become more aware of the need for careful consumption. They are empowered and can too become “prosumers”. This is clearly shown by the success of the fuel poverty campaign of community A. The fact that community A works closely with schools is important since education from an early age is crucial to reinforce the message too.

Another aspect, which is linked to the geographical location of the local actors, is the type of energy that is being tapped into and therefore the type of project to be developed. Community B has solar PV as well as hydro projects because of the geographical landscape (the town where community B is situated in has a river close to it). Sometimes however this is not possible. Community F has still not found a suitable site for a shared-ownership venture. This reinforces the crucial importance of “embedding” the project within the community. Although this complicates matters of governance, it reinforces the outdated mode of the current “one size fits all” approach.

Such “micro problems” highlight the importance of a close symbiosis between the local actor, the developer and the community; the importance of embedding the endeavor within a close-knit relation between the various parties involved (the developer, local actor, local authorities and the community itself), what community A referred to as “a holistic approach” to energy within a given community. Although this balancing act is difficult, it is nevertheless of crucial importance since it highlights that a virtuous circle can be created. Yet, it cannot be seen in isolation and must be put within the wider context, what has been termed, the “macro problems” approach.

4.3. Local Actors and the Wider Policy Context

At the time the research was conducted, there was some uncertainty over the future of the FIT scheme. Consequently, one of the questions the participating organizations were asked was to consider the future of the sector. In particular, what they thought were the main problems that the sector faced. All the participants were particularly critical about the lack of a clear environmental policy of the then government and the lack of certainty for the renewable energy sector that this entailed. Within this, the reduction of the FIT scheme scheduled to take place in November 2016 was of course prevalent. One participating organization also commented on the lack of obligations imposed on the main energy suppliers, so-called “the big 6”. Such companies clearly have a lot of influence as they supply just under 90% of the country energy. Community A stated that the targets were too easy to meet “they are not worried about the ECO targets which they met quite comfortably”. Community A criticized the lack of the holistic approach of the sector.

The resilience of the participating organizations is however remarkable since they seemed to consider such problems as an opportunity, something, which appears to be shared more widely than this research judging from the Community Energy England which indicates that the organisations they surveyed were pessimistic about the short term, they nevertheless saw hope in the longer term. Indeed, all the participating organizations recognized the importance of being sustainable. For some,
the reduction of the FIT scheme was therefore seen as an opportunity to build a sustainable model. To do so, solutions were proposed such as local actors grouping together as was done by community D or grouping with other organizations, such as housing associations.

The latter grouping already appears in certain parts of the country, such as Brixton energy, which deals with flats, as highlighted by the Ofgem report [50] (p. 4), something that the UK appears to share with Holland [60]. Similarly, some saw themselves as competing with more traditional suppliers by offering something different, an opportunity for investment to the community. It is perhaps telling that the word “investor” has been used a lot by the participants. As community A shows, investment need not be for huge returns. Yet, it is of prime social importance for procedural justice, a point to be developed in Section 5. However, it can provide a good financial return as the success of community B shows. This must be appreciated in the wider context of the growing support for green investment with the rise of peer-to-peer platforms such as Abundance, Investhex and green bonds more generally.

The participating organizations to this research are still present and mostly thriving in the South West. Even though for one participant, its role appears limited to educational and consultative, they nevertheless all appear to be playing an important role in the field. This is not limited to the South West either; as the Ofgem report shows, the growing presence of local actors is reported across the country. This is encouraging, and yet, much remains to be done, especially in terms of the national policy context.

5. Discussion: A Clearer Picture of the Identity and Role of Local Actors but Is Energy Justice at the Core of the Movement?

The aim of this research was to assess whether local community organizations entering into shared partnership with commercial developers could help put justice at the core of the energy sector. Given the nature and the scale of the research, the discussion must be placed in a more recent context so as to take into consideration of the evolution of the sector.

5.1. Identity and Role of Local Actors

In terms of the identity and role of such actors, a clearer picture is starting to emerge. The research seems to indicate that the identity and role of the participants are closely intertwined. In terms of identity, there are some common characteristics; the participating organizations are all established, bar one, as a community interest company. They are all established at a local level, some, with a clear aim to work within distinct geographical boundaries. Although Community B accepts investors from the entire country, it is clear that it aims to nevertheless benefit the local community. All participating organizations clearly aimed at benefiting the local community and contribute to broader objectives such as social, economic and environmental. Such factors seem to be shared more widely than this research as the Ofgem report indicates [50].

In spite of such common characteristics, there is nevertheless a diversity in the identity in the participating organizations since there is not “a” typical model. Judging from the Ofgem report, this diversity also appears across the country since local actors do not all have the same aim and they cut across traditional sector boundaries such as generation, supply and consumption. This makes it more difficult to define local actors and more difficult to replicate. As Ofgem states “it does not necessarily follow that all local models can be scaled significantly or replicated in areas without similar characteristics” [50], (p. 4). Yet, as seen at Section 4.2, the diversity appears a core aspect of local actors’ success since the shared-ownership projects must be embedded in and accepted by the community where they are. As seen in Section 4.1, whether the project truly represents the community is also an important factor for the developer as the backing of the local community is seen as a sign that the project has higher chances of success. Moreover, this diversity is part of the appeal of such local actors to consumers [50], (p. 6) and is consequently crucial.

Turning to the role that such local actors play, as it is closely linked to the identity, there is too a certain variety and some common characteristics in that role. A recurring theme is the desire to serve
and involve the community where the local actor is situated, something, which also transpires from the Ofgem report [50], (p. 6). Our research seems to indicate that this role can however only succeed if the local actor has clear and achievable aims. Failing to do so will result in failure as the folding of one participating organization to this research highlighted. Judging from that very folding, the embedding of the role within the community where the local actor is, is also a key to the success of that local actor. The nature of the role will therefore vary depending on where the local actor is situated and the needs of the particular community. As the example of community F shows, those needs remain educational and consultative. Similarly, whether the local actor uses PV, heat or other forms of renewable energy will depend on its geographical location as the example of community B appeared to show. This is important since in spite of this diversity, it nevertheless seems possible to group local actors according to certain archetypes (and therefore replicating the model). Indeed, the Ofgem report shows that there are other initiatives in the UK which, similarly to community A in our research is council-backed and which main purpose is to fight energy poverty: the Robin Hood Energy, Nest (for Wales) or the Good Energy Local tariff [50], (p. 4). Another possibility of grouping is when considering the particular needs of a community such as micro-grids for very remote areas such as the islands of Scilly and Egg as well as wales, as highlighted by the Ofgem report [50], (p. 5).

It seems clear, both from our research and from the strengthening of the sector highlighted by the Ofgem report, that local actors appear a firm fixture of the energy landscape. Indeed, the sector has seen a clear growth in such relations over the last decade with independent suppliers now representing a 14% share of the electricity supply market [50], (p. 5). They play a role, which is defined by the locality where they are embedded. This flexibility is essential to their success. The fact that the Ofgem report talks of “local energy” seemingly as a sui generis category appears to give weight to Professor Heldeweg’s claim that this calls for acknowledgement of a third type of governance setting, that of civil network [9]. This is especially important as local actors are seen by the European Union as an important tool against energy poverty and consequently “should be allowed to operate on the market on a level-playing field” [37], (para 30 at p.32).

Although local actors are difficult to define, Ofgem nevertheless offers the following definition; “energy arrangements led by (or for the benefit of) a local group and for the benefit of local consumers. A local group is a collection of people and organizations with shared interests in local energy outcomes within a common geographical area” [50], (p. 7). Although not perfect, this definition nevertheless seems to encompass the crucial attributes of local actors, namely, the “local” aspect and yet the flexibility which is crucial to the success of such endeavors. The fact that the emphasis on “local energy” is also present in the proposed Directive on common rules for the internal market in electricity [37] highlights a common thread. This is welcome.

The more difficult issue, to which we turn, is whether energy justice is sufficiently placed at the core of this “movement”; whether local actors can indeed allow for efficient economic transactions within a social landscape.

5.2. Local Actors and Energy Justice

‘Energy justice’, as a concept, is reasonably new and there is disagreement as to what energy justice is, what its components are [14–21] or whether it is even viewed from the right lens [14–21]. Yet, three important elements appear at its core are: distributive justice (equitable access, affordability), recognition justice and procedural justice [1–3]. For some, to this, one must add the need to fight pollution [61]. That latter element is, arguably, the easiest to contend with. All participatory organizations were all involved in renewable schemes; they therefore all play a role in fighting pollution. Yet, how local actors (both in terms of this research and more generally) fare in the three aforementioned aspect of energy justice is less obvious.

In relation to distributive justice, only one participatory organization was created specifically to fight energy poverty, community A. Yet, as Table 1 shows, communities B and C too have a social impact as both have involved local housing associations and council-owned buildings respectively.
This is a start. Given that energy poverty is still widespread and takes many forms, clearly more needs to be done, especially in the light of the 2016 report by the Competition and Market Authority highlighting the high prices of energy across the sector [51]. Some comfort could be drawn from the Ofgem report, which shows the multiplication of those schemes across the country. Yet, there are still too few of them, which is regrettable since as the experience of community A shows, by educating people about energy and empowering the more vulnerable consumers, the inequalities diminish. Moreover, even those schemes are not immune to price rise, as the example of the Robin Hood energy highlights [62].

The renewed commitment in the proposed Directive on common rules for the internal market in electricity to ensure “that energy poverty is addressed by member states” [37], (preamble, p. 19) is undoubtedly a positive step. Yet, the tools defined by the text are still of a market-type nature mentioned in Section 2.1, which does not help. The need for a clear national policy on this is therefore pressing. The recent reduction of the government commitment in its fight against energy poverty is therefore particularly regrettable. Indeed, if local actors are to become a permanent fixture of the market, consumer rights will have to be protected. This is especially important in relation to vulnerable consumers. On this, the Ofgem report makes an important point, that local actors “will need to provide appropriate protection (such as opportunities to switch) if service standards and value are not maintained to the satisfaction of those customers” [50]. Although smart meters and new technology are usually seen as playing a part to fighting fuel poverty, the technology is still very expensive. Unless shared, the cost will undoubtedly be passed to customers. To expect no help from the public purse is therefore not realistic either, another fact also pointed by the Ofgem report [50]. The criticism back in 2013 of “continued emphasis upon large-scale electricity” [43] unfortunately still holds true today. The need for a clear shift from centralized to decentralized energy at policy level is particularly has never been more pressing. With the UK leaving the EU, an additional level of uncertainty prevails and so the vicious circle goes.

In terms of procedural justice, it has been said that such local actors are usually middle class, white men and retired and therefore not representative of the community where such local actors are implanted. Our research appears to confirm this. This is clearly not satisfactory. The diversification of the sector as highlighted by the Ofgem report goes some way to alleviating this, as well as the example of community A, which shows that education does empower consumers. Nevertheless, it is clear that a lot more remains to be done. This is where however we have a potential conundrum because this research also seems to show that most volunteers come from the community where the local actor is situated and that it is usually through their advantageous position that the community organization can thrive. Indeed, two of the local actors that took part into the research (community B and D) were started by people who came back to the South West for their retirement. That status is precisely what gave them the time and resources to start such local endeavors. Indeed, as highlighted in Table 2, the fact that some communities have lawyers on their board has helped considerably. However, it is absolutely clear that relying on the efforts of volunteer is not enough to guarantee the success of such endeavors, as the folding of community F shows. The last issue, that of recognition justice is more difficult to assess since it refers to the “invisibility of particular social groups in relation to siting decisions for energy generation facilities” [1]. The participants to the research do not appear to have faced much opposition to their project. In consequence, how such local actors in this research help recognition justice was not assessed. This together with the exploratory and inductive nature of the research highlights the need for further research in the field.

6. Conclusions

This paper has shown that the current regulatory and governance models of the energy sector leave vulnerable consumers unprotected and fail to empower prosumers. The status quo cannot continue. Share-ownership projects, as alternatives to a traditional top down governmental policy approach, seem to represent a great opportunity to help navigate the problems that the energy sector
face. Experience of such projects in the South West of England seems to allow for a cautious positive outlook on the sector. Indeed, although one participatory organization has folded and one plays a more low-key educational role, three have set up reasonably successful shared ownership projects and most have now started to receive dividends. The last one is still in the process. In spite of teething problems, commercial developers also seem to have realized that they too can benefit from such bottom-up initiatives and are consequently more supportive. The theme of a cautiously positive outlook appears to be confirmed by a survey carried out by Community Energy England and more recently, the Ofgem report, which welcomes such endeavors as part of the energy landscape. A similar support can be seen at EU level with the proposed directive on the common rules for the internal market in electricity [37]. This now needs to be transferred at policy level.

Local actors come in various shapes and sizes, which seem to reflect the diversity of the various communities where such local actors are. In fact, it seems that such differences are important to ensure that such a movement is embedded within the community it is set up to represent. Whether the ambiguity of the term “energy community” identified in the literature [52,53] is disappearing is perhaps too early to say. Yet, the movement appears set to be a permanent fixture judging from the Ofgem report [50] and the proposed directive for the internal market in electricity [37]. This is important since local organizations clearly help environmental aims but also appear to play a wider social role. As community A has shown, by educating people about energy and empowering the more vulnerable consumers, the inequalities do diminish. A virtuous circle can therefore be created.

Although other successes can be seen across as well as outside the country, for the majority, however, the road ahead is still long. Indeed, the fact that local actors, as transpires from this research, heavily rely on volunteers indicates that they are not yet sustainable as a business model and can therefore not compete with other traditional providers. The lack of resources is still real. Yet, the possibility of success is also real as two examples in the South West show, Bath and West community energy or Bristol Cooperative. For Community B, to reach this level is the aim; “Bath and West have reached a threshold of capitalization where it works”.

The importance of the financial viability of such organizations cannot be underestimated. For a community organization to have an impact, it must be successful and financially viable. The financial aspect is therefore crucial and is probably where the biggest challenge for such schemes lie. Scholars have argued for the need to put justice at the core of energy policy, to rebalance the fact that energy policy has been seen too much through the financial lens [61]. Yes, as this research appears to demonstrate, a local actor must also be able to balance the books. We have seen that the involvement of local authorities is important, but cannot always be replicated. It is, therefore, not enough. More needs to be done at national level, to embed such local actors in a clear policy to highlight the shift from centralized to decentralized energy. As we have seen, this does not however appear to be a priority.

This is regrettable since the need for policies that are sufficiently flexible to be in line and reflect local needs and support local actors in answering those local needs has never been more pressing for the UK. A clear and coherent articulation of local and national policies is of crucial importance to achieving efficiency in a social landscape. In spite of a renewed support for such endeavors at EU level, following Brexit, the position in the UK has never been more tenuous.

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References and Notes


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25. The ECJ remarked on the ‘exceptional importance’ of petroleum products for a modern economy in case 72/83 Campus Oil Ltd v The Minister for Industry and Energy and Others [1984] ECR 2727, at para 7). In this case, it was decided that an obligation imposed to buy a certain quantity of petrol from a state-owned company was valid on the ground of public security. Available online: http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:61983CJ0072&from=EN (accessed on 20 July 2017).


27. In its Consumer Policy Strategy 2007/2013 (Com 2007/99 final), the European Commission recognises the need to provide safeguard for the more vulnerable members of society and for the first time states that ‘affordable access is crucial for social inclusion’. This more social approach started much earlier, with the 1996 Communication of the European Commission on services of general interest, Com (96) 443 of 9-9-96, OJ 96, C 281/3 where the Commission stated that ‘general interests are at the heart of the European model of society’. Other texts where the European Commission has emphasised their importance as a glue for society, include the Report to the Laeken European Council: Services of General Interest (presented by the European Commission), COM(2001) 598 where they were described as ‘an essential building block of the European model of society’ (at p 3); the Green Paper on Services of General Interest, COM(2003) 270 (where such services are described as ‘part of the values shared by all European societies’ at p. 4). Available online: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52003DC0270 (accessed on 20 July 2017).


40. Given That such a target is EU-based, there is some uncertainty as to the impact of Brexit on the target. Fear that the UK will not meet such a target was expressed by the Select Committee on Climate Change earlier this year. Available online: https://www.parliament.uk/business/committees/committees-a-z/commons-select/energy-and-climate-change-committee/news-parliament-2015/heat-transport-report-published-16-17/ (accessed on 18 April 2017).


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45. To further decentralisation, the Coalition Government also favoured what was termed a “Localism Agenda” allowing more freedom to communities in planning. Available online: https://www.gov.uk/government/policies/localism (accessed on 2 June 2017).


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