



Department
of Energy &
Climate Change

Community Energy Strategy: People Powering Change

27 January 2014

Devolved Administrations

Parts of the energy system are devolved to different extents in Wales, Scotland and Northern Ireland, hence each policy measure within the Community Energy Strategy applies differently in each territory. All the Devolved Administrations have been fully engaged in developing the Strategy, but retain the right to develop policies for devolved areas.

Full Report

This document draws out the key findings and policy implications for community energy. The supplementary document, titled *Community Energy Strategy: Full Report*, provides a comprehensive analysis of the sector and the policies helping to develop community energy. The full report is published alongside this document.

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Any enquiries regarding this publication should be sent to us at communityenergystrategy@decc.gsi.gov.uk.

This document is also available from our website at <https://www.gov.uk/government/publications/community-energy-strategy>.

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1. What is community energy?

1. The way energy is generated and used in Britain is being transformed: increasing the proportion of home-grown low-carbon generation, while using less through an energy efficiency revolution. Much of this will be led by large companies and major investors in our reformed energy market, but individuals and local communities can also make an important contribution to maintaining energy security, tackling climate change and keeping costs down for consumers.
2. That is where community energy fits in. Community energy is about many different types of community getting involved in energy issues in many different ways. It could be a group of local people setting up their own solar installation or wind turbine; a local authority leading a collective purchasing scheme to help local people get a better deal on their energy tariff; an energy advice session at a local community centre; or a whole range of other schemes.
3. In this document we identify four main types of energy activity that communities can get involved in:
 - Generating energy (electricity or heat)
 - Reducing energy use (saving energy through energy efficiency and behaviour change)
 - Managing energy (balancing supply and demand)
 - Purchasing energy (collective purchasing or switching to save money on energy)

2. Benefits of community energy

4. Community-led action can often tackle challenges more effectively than government alone, developing solutions to meet local needs, and involving local people. Putting communities in control of the energy they use can help maintain energy security and tackle climate change; help people save money on their energy bills; and have wider social and economic benefits. These benefits are covered in more detail below.

2.1 Maintaining energy security and tackling climate change

5. Communities can make a contribution to achieving our energy and climate change goals in a number of ways.
6. Community involvement in **generating electricity** – whether fully community-owned projects or part community ownership of larger commercial projects – can help achieve our goals of decarbonising the power sector and seeing a 15% share of our energy provided from renewable sources by 2020.
7. Independent modelling for DECC¹ suggest that, by 2020, community electricity² could generate between 0.5GW and 3GW from a mixture of solar PV, onshore wind and hydro

¹ *Community Renewable Electricity Generation: Potential Sector Growth to 2020*, independent modelling for DECC: <https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020>.

² This includes both fully community-owned electricity generation projects and the share of commercial electricity developments owned by communities under shared ownership models.

projects – representing between 2.2% and 14% of the total installed capacity of these technologies, and between 0.3% and 1.4% of the UK's entire electricity consumption in 2020. 3GW, the top end of this range could provide enough electricity for over 1 million homes.³ The analysis also suggests that beyond 2020, community electricity has the potential to make an even greater contribution.

8. We need to transform how we **generate heat** to meet our decarbonisation goals, and communities can get involved in this in a number of ways. Some heat technologies, such as district heat networks, need a community based approach. Communities can help increase the uptake of renewable heat technologies, whether by installing them in community buildings or by raising awareness of their benefits among households in their area.
9. Community energy projects can also help transform the way we use energy, helping to **reduce energy use**. Communities can get involved in making energy efficiency policies such as the Green Deal and the Energy Company Obligation (ECO) work better; sharing energy-saving advice and tips on how to change everyday energy behaviour; or helping engage vulnerable and fuel poor consumers in how to effectively reduce waste and cut bills.
10. In addition to reducing energy use, by shifting energy demand away from peak times of the day, we are able to reduce the need for costly energy infrastructure and become less reliant on fossil-fuel power plants.⁴ Communities can get involved in **managing energy** by piloting new approaches and helping people engage with new technology such as smart meters.⁵
11. Communities can also help keep energy affordable through coming together to **purchase energy**. This may be through collective switching schemes, where a group of people get together to negotiate a better energy tariff from their supplier, or a bulk purchasing scheme such as a heating oil club.

2.2 Helping communities save money on energy bills

12. Consumers are worried about energy bills and community energy projects are one way of helping people. Indeed, 51% of people⁶ said that they would be motivated to get involved in community energy if they could save money on their energy bill. Community energy activities provide many opportunities to save money on energy bills and help those in fuel poverty. Some examples of savings made by community energy groups are in box 1.

³ www.ofgem.gov.uk/ofgem-publications/83193/methodologyforsupplymarketindicators.pdf

⁴ <https://www.gov.uk/government/publications/electricity-system-assessment-of-future-challenges>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43042/7224-gov-resp-sm-consumer-engagement.pdf

⁶ Research for DECC, January 2014.

Box 1: Examples of savings made by community energy projects

13. Amberley Primary School in Newcastle was able to generate **25% of the school's electricity requirements** through installing solar panels and a wind turbine in a project funded by the Big Lottery Fund. Previously the school had been spending around £8,000 per year on electricity.⁷
14. Ashton Hayes Going Carbon Neutral in Cheshire managed to reduce energy consumption by 23% in three years. This saved households **up to £300 per year**, through encouraging behaviour change and installing simple energy efficiency measures.
15. Energy assessments undertaken on 119 households under the Warming Barton project in Oxford, funded by DECC's Pioneer Places Green Deal pilot scheme, recommended 579 energy efficiency measures, which would add up to **potential savings of £450 per household**.
16. A 53kW solar thermal system was installed to heat Fenham Swimming Pool in Newcastle, with the help of a loan from PURE and the British Airways One Destination Fund. This will lead to estimated savings of **almost £900 per year on energy bills**.⁸
17. A collective switching scheme launched by local cooperative Community Energy Direct and Which? in several locations in Yorkshire led to more than 600 households switching energy supplier, with **average savings of £173 per household**.
18. Members of Allen Valleys Oil Buying Co-operative in Northumberland saved **approximately £50 per 1000 litres of heating oil** by buying in bulk, and reductions in the number of trips by oil tankers means delivery costs are lower too.

2.3 Wider social and economic benefits

19. Community energy goes beyond energy security, climate change and energy bills, and can also bring wider benefits to communities. These include:
 - **Stronger communities.** Community energy activity can bring local people together to achieve something for their community and take action on issues that matter to them.⁹
 - **Skills, education and work experience.** Members of the community of all ages can benefit from opportunities to learn new skills through involvement in community energy activity; some schemes have specifically engaged young people in work experience or energy and climate change education activities. Community energy projects can build confidence and skills both within the group and more widely.
 - **Financial benefits for communities.** In addition to saving money on energy, community energy can present opportunities to generate income for the community, through FITs for generation of renewable electricity and RHI payments for generation of heat, or through part ownership of larger commercial energy developments. This income can be used to benefit the community in a variety of ways.

⁷ Big Lottery Fund evidence submitted to *Call for Evidence*.

⁸ http://www.puretrust.org.uk/filelibrary/case_studies/Fenham-Case-Study.pdf

⁹ Community energy in the UK: A review of the evidence, *Call for Evidence* responses

3. Unlocking the potential of community energy

20. At least 5,000 community energy groups have been active across the UK since 2008.¹⁰ Community energy is currently focused largely on renewable electricity generation, with the most prevalent technologies being solar PV and onshore wind.¹¹ At least 60MW of community-owned renewable electricity generation capacity is currently in operation.^{12,13} While this remains a small fraction of our installed renewable electricity generation capacity,¹⁴ there is significant potential for growth.
21. This is the UK government's first ever Community Energy Strategy. It marks an important step in meeting our commitment to encourage community-owned renewable energy schemes, set out in the Coalition Agreement.¹⁵ Our ambition is that every community that wants to form an energy group or take forward an energy project should be able to do so, regardless of background or location. We will back those who choose to pursue community energy, working to dismantle barriers and unlock the potential of the sector. We also want to reach out beyond those who are already active, encouraging more communities to get involved in all areas of community energy.
22. This section explains some of the issues which need to be addressed to help realise this potential, and the action we are taking to address them. Some of the issues faced by community energy are common across the different types of community energy project. We have identified these as **partnerships**; **community capability and capacity**; and **evaluation and measuring impact**. These are covered in Section 3.1 below.
23. Some of the issues are specific to one of the four strands of community energy (**generating**, **reducing**, **managing** and **purchasing** energy). Section 3.2 sets out the main issues and actions in each of these areas.
24. Figure 1 sets out an overview of all of these key issues and how the actions set out here will help to tackle them.

¹⁰ Community Energy in the UK: Part 2, DECC, 2014: <https://www.gov.uk/government/publications/community-energy-in-the-uk-part-2>

¹¹ Responses from the *Call for Evidence*, Community Energy in the UK: Part 2, DECC, 2014: <https://www.gov.uk/government/publications/community-energy-in-the-uk-part-2> and Local Energy Assessment Fund evaluation, DECC 2014.

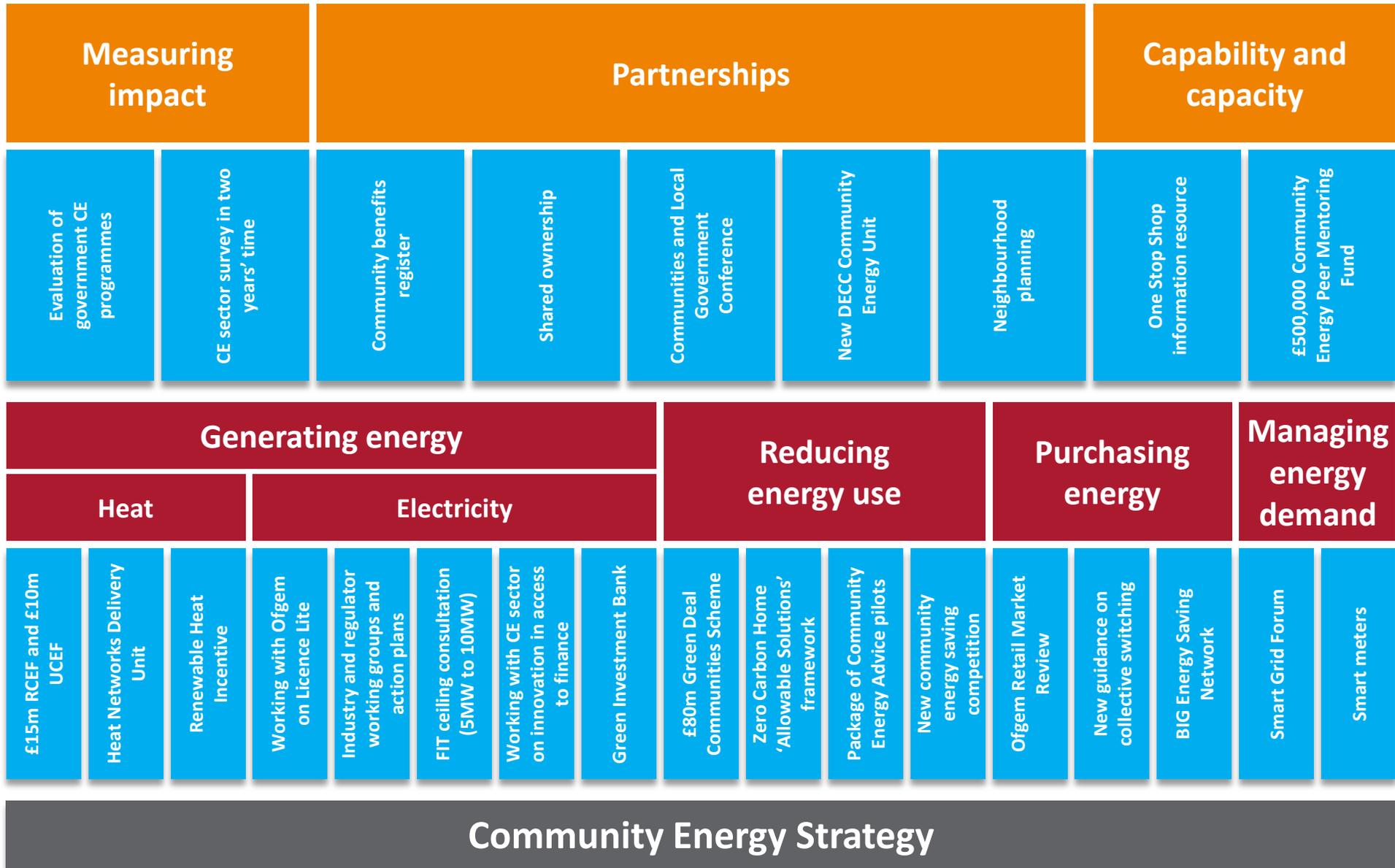
¹² *Community Renewable Electricity Generation: Potential Sector Growth to 2020*, independent modelling for DECC: <https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020>.

¹³ The Community Renewables Economy: Starting up, scaling up and spinning out (Respublica). http://www.respublica.org.uk/documents/yqq_Community%20Renewables%20Economy.pdf

¹⁴ Overall installed renewable electricity generation capacity in the UK is 19,500 MW and total installed generation of all types is more than 89,000 MW. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255182/UK_Renewable_Energy_Roadmap_-_5_November_-_FINAL_DOCUMENT_FOR_PUBLICATION_.pdf

¹⁵ *The Coalition: our programme for government* (2010) (<https://www.gov.uk/government/publications/the-coalition-documentation>)

Figure 1: Community Energy Strategy issues and policies



3.1 Creating the right environment for community energy to grow

Partnerships

25. Partnerships with local authorities, commercial organisations and local networks can play a crucial role in supporting and enabling community action. Key partners include:

- **Local authorities.** Local authorities can provide a valuable source of information and advice for community energy groups, and can help coordinate community activity in their area. They may provide loan funds or financial support. They also play an important role in helping support community energy projects through the planning process and encouraging communities to incorporate energy into their neighbourhood plan.
- **Commercial renewable energy developers.** When communities are able to invest in or part-own commercial energy developments, they can realise a number of benefits including an increased sense of ownership and financial returns on investment. Shared ownership models can help community energy achieve scale, as has been the case in countries with high levels of community ownership such as Germany and Denmark.
- **Local networks and the wider community energy sector.** Local networks of private, voluntary, and public sector organisations can help individual community energy groups reach a wider range of people, and can help them access support and advice.

Realising our vision: Supporting strong partnerships

- The renewables industry has committed to substantially increase shared ownership of new onshore renewables developments. By 2015 it should be the norm for communities to be offered the opportunity of some level of ownership by commercial developers.
- A Community Benefits Register for onshore wind in England will be established in spring 2014. This will make public the range of benefits from different projects – from new community buildings to cheaper electricity. This will help communities when negotiating benefit packages with developers for new projects. Scotland has had a register in place since 2012.¹⁶ We will closely monitor the operation of the Register and its impact on supporting community benefits, and will consider future options for extending it to other technologies.
- Neighbourhood planning offers a real opportunity for the growth of community energy where communities identify this as a priority for their neighbourhood. DCLG will work with DECC to coordinate the work of advice and support services in order that communities considering including proposals for community energy in their plan have access to advice and best practice on neighbourhood planning for community energy, together with information on existing examples.
- A new Community Energy Unit in DECC will work with communities and local authorities to provide a step-change in support for community energy projects.
- A national Communities and Local Government Conference in 2014 will review early progress and assess the various community energy initiatives launched since 2010, including this Strategy.

¹⁶ <http://www.energysavingtrust.org.uk/scotland/Communities/Community-And-Renewable-Energy-Scheme/Scottish-Government-Register-of-Community-Benefits-from-Renewables>

Capability and capacity

26. Community energy activities are more likely to succeed where the community has access to the right information, advice and expertise. For community energy to achieve scale, we need to empower groups to learn from each other and share information about what works.

Realising our vision: Community capability and capacity

- We will support the establishment of a ‘One Stop Shop’ information resource for community energy, developed with community energy groups using seed funding from government. In Scotland the Local Energy Scotland Community And Renewable Energy Scheme (CARES) website, funded by the Scottish Government, was re-launched on 20th January 2014.
- In November, DECC and the Cabinet Office launched a £500,000 peer mentoring scheme to enable experienced community energy groups in England to offer peer-to-peer support to newer entrants. The scheme closed in December and the first groups will receive funding in early 2014. In Wales, community energy groups are already able to access peer-to-peer support through the Renew Wales scheme, funded by a grant from the Sustainable Steps programme delivered through the Big Lottery Fund.

Measuring impact: evaluation and best practice

27. For community energy to realise its full potential, communities need to be able to evaluate the impact of their projects. Measuring impact will help government to develop policy that best supports community energy and maximise the contribution to energy and climate change goals. In addition, this will help communities learn from their own and others’ experience, building on the best and avoiding unproductive ideas.

Realising our vision: Measuring impact: evaluating community energy and promoting best practice

- The One Stop Shop information resource will enable community energy groups to access new monitoring and evaluation tools and will include case studies highlighting best practice.
- We will build the evidence base on community energy by evaluating government-funded community energy activities. We will also survey the sector again in two years’ time to evaluate the impact of this Strategy.

3.2 Supporting communities to produce, reduce, manage and purchase energy

Generating electricity and heat

28. The issues faced by community electricity projects and community heat projects are related but distinct, given the different stages of development which these two types of community energy are at. Electricity and heat are covered separately below.

29. The key issues faced by **community electricity** generation projects are:

- **Access to investment.** Community projects often struggle to access investment, particularly at the early stage when projects are higher risk. They also face a 'finance gap' which makes it hard to access project finance in the range of a few hundred thousand to two million pounds.
- **Reliable income streams for the electricity generated.** Feed-in Tariffs (FITs) already provide a reliable long-term source of income for community energy projects and have supported the growth of community electricity, but we can do more to help community groups benefit from FITs.
- **Ability to supply consumers directly.** Some community energy projects would like to be able to supply electricity to consumers directly, but the requirement to become a fully licenced energy supply company is a barrier to many community groups.
- **Difficulty in navigating systems related to regulation, planning and network access.** Some regulatory processes can seem insurmountable, time-consuming and complex to community groups. Key issues include the speed and cost of connecting to the electricity network, navigating the planning process, and the regulations relating to hydropower projects.

30. **Community heat** remains at an earlier stage of development than community electricity, but there is great potential for communities to get involved in heat. The key issues which need to be addressed to achieve this potential are:

- **Raising awareness of community renewable heat.** There is a lack of awareness in communities of renewable heat technologies in general, and of the opportunities for communities in particular.
- **Finance and know-how.** The Renewable Heat Incentive (RHI) provides a new financial incentive for renewable heat technologies (see box below). Nevertheless, the market for low carbon heating technologies is relatively immature and so current purchase and installation costs tend to be higher than conventional alternatives. Accessing the know-how to exploit heat technologies within a community is not easy, although partnerships with local authorities can help communities get involved in larger scale technologies such as heat networks.
- **Complexity of community heat.** Community heat projects tend to be more technically complex than electricity projects and require expertise to plan and install.

Realising our vision: generating electricity and heat

- In June we launched the £15m DECC / Defra Rural Community Energy Fund (RCEF) to provide finance for rural communities in England to explore the feasibility of, and planning for, electricity and heat projects. This will now be complemented by a new £10m Urban Community Energy Fund (UCEF). Communities in Wales can already access similar financial support through the Ynni'r Fro scheme, while in Scotland the Community and Renewable Energy Scheme (CARES) includes a pre-planning loan scheme.
- We are working with the European Commission on including the small-scale onshore wind and hydroelectricity sectors within the Green Investment Bank's (GIB) approved scope of operation.
- We will be consulting in spring 2014 on doubling the Feed-in Tariff (FIT) maximum capacity ceiling from 5MW to 10MW for community projects.
- We will continue to work with the sector to explore new and innovative ways of addressing access to finance such as crowd-funding and aggregation models.
- Through the Renewable Heat Incentive (RHI) we have provided the world's first financial incentive for renewable heat projects. The non-domestic RHI was introduced in 2011 and we will introduce a domestic version in spring 2014.
- DECC's new Heat Networks Delivery Unit (HNDU), with a budget of £6.9m, aims to transform district heating in the UK, providing financial support, guidance and expertise for local authorities, especially in the crucial early stage of developing a heat network. In the first round of the programme, 31 local authorities will be receiving £1.95m.
- New working groups bringing together regulators and industry will produce action plans during 2014 to tackle issues communities face on planning and permitting, electricity network connections, and hydropower.
- We will work with communities and Ofgem to look at ways to enable communities to supply electricity, including Licence Lite.

Reducing energy use

31. Communities are already taking action to reduce energy use in a number of ways. The three issues which need to be addressed to help communities make an impact on saving energy and money are:

- **Supporting community action on energy advice and behaviour change.** People can be influenced by the energy behaviour of those around them and may be more receptive to energy advice when it comes from others in their community.
- **Involving communities in energy-saving programmes and policies.** There is an opportunity for communities to engage in government programmes such as the Green Deal, the Energy Company Obligation and smart meters, often in partnership with local authorities.
- **Helping communities access new sources of funding for energy-saving activity.** In contrast to energy generation projects, there is no clear income stream for community energy reduction projects. Some groups are already exploring new business models. Our new One-Stop Shop information resource (see above) will help spread best practice.

Realising our vision: reducing energy use

- We are piloting and deploying a community approach to energy efficiency by increasing the Green Deal Communities scheme from £20m to £80m. This provides a new opportunity for community groups, in partnership with local authorities, to get involved in energy efficiency.
- A new £100,000 community energy saving competition will stimulate communities to develop innovative approaches to saving energy and money. The best projects will be given extra support to develop further, with a cash prize going to the community that demonstrates the biggest impact on helping consumers save energy.
- A package of Community Energy Advice pilots to identify the most effective community-based approaches to cutting waste and spending less on energy through behaviour change, including a £500,000 scheme to trial and scale up peer-to-peer approaches to energy saving advice in housing associations, which was launched in November.
- The Zero Carbon Home 'Allowable Solutions' framework will offer a potential new source of funding for community energy groups from 2016. The Government consulted last year on a framework for 'Allowable Solutions' – ways for house builders to offset carbon emissions from new homes which cannot be mitigated by measures like fabric insulation of building integrated renewables like solar panels. The consultation asked for ideas on the sorts of measures which Allowable Solutions could support, which could include local projects which are cost effective, and the criteria to be used. The Government is considering the responses to the consultation and will announce its conclusions in due course.

Managing energy demand

32. Some community groups have already undertaken energy management projects using smart technologies. However, the number of such projects is small compared to the number of groups involved in renewable electricity generation or energy efficiency.¹⁷ The two key barriers that have prevented greater numbers of community groups from getting involved in energy demand management are:

- **Need for technology development and piloting.** Much of the technology required to facilitate smart energy management is still at a relatively early stage. Deploying new smart technology can be complex, expensive and will generally require technical expertise. Community energy projects will play an important role in future pilots.
- **Better information about energy usage is needed** for successful energy management projects.

¹⁷ Community Energy in the UK: Part 2, DECC, 2014: <https://www.gov.uk/government/publications/community-energy-in-the-uk-part-2>.

Realising our vision: managing energy demand

- Through the Smart Grid Forum we are working with Ofgem, network operators and wider industry and consumer groups to unlock the potential of smarter grids. The Forum will shortly be publishing its vision for smart grids, which will provide a useful overview for communities on the role of smart grids and help them to understand how they can get involved in driving deployment.
- Most households will have smart meters installed by their energy company between 2015 and 2020, although some energy companies are starting to install smart meters now. Smart meters will provide a technology platform which supports many new smart innovations including smarter appliances. They will also provide better information about energy usage to support successful energy management projects.

Purchasing energy

33. **Collective purchasing** of energy and collective switching of suppliers can help consumers to cut their bills, tackle fuel poverty and engage people in energy issues. In a survey in January 2014, 40% of people¹⁸ said that they would be interested in joining a collective switching or purchasing scheme.
34. Already collective switching has delivered substantial savings to consumers, with over 21,000 households switching energy supplier through the Cheaper Energy Together scheme and making an average saving of £131¹⁹. These collective switching schemes helped significant numbers of people to sign up, many of whom may be considered vulnerable, and 49% of whom had not switched energy companies for at least 3 years.²⁰ We now want to build on the valuable experience and infrastructure developed through these schemes to enable even more consumers to benefit.
35. To help support collective switching and collective purchasing of energy, we are focusing on two main areas:
- **Guidance and coordination for community energy purchasing projects.** Collective switching is a relatively new development in the energy retail market and there remain gaps in understanding and awareness of what community groups can achieve.
 - **Helping vulnerable consumers engage in the energy market.** Community groups can be effective in helping engage vulnerable and fuel poor consumers, but may need some help to develop the infrastructure and resources to do this.

¹⁸ Research for DECC, January 2014.

¹⁹ Helping Customers Switch: Collective Switching and Beyond (DECC, 2013) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_final_2_.pdf

²⁰ Helping Customers Switch: Collective Switching and Beyond (DECC, 2013) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_final_2_.pdf

Realising our vision: collective purchasing and switching

- The Big Energy Saving Network (BESN) is a £900,000 programme established last year to support eligible third sector organisations and community groups to deliver an extensive programme of outreach to vulnerable consumers, focussed on helping them to reduce their energy costs through assisted action on tariffs, switching and take-up of energy efficiency offers. Additional funding of £1m will allow us to continue supporting and growing BESN in 2014/15.
- Revised and updated guidance and best practice for organisers of collective switching schemes is published alongside this Strategy, drawing on the learning from the DECC Cheaper Energy Together scheme.
- Ofgem's Retail Market Review includes new rules for collective switching and wider reforms that are designed to make the market simpler, clearer and fairer.

4. Next steps

36. The Community Energy Strategy lays the foundation for future growth of community energy in the UK. Both DECC and many other government departments are removing the barriers faced by communities that want to take action on energy and creating opportunities for more people to get involved.
37. Government can support community-led action on energy, but to realise the full potential of community energy will require concerted support from many different organisations. The following organisations will be key to realising a step-change in community energy.

Organisations which must support community energy

38. The **regulators** whose processes community energy groups need to interact with, for example Ofgem and the Environment Agency. They need to ensure that processes are as simple as possible for community energy. Regulators will work through the new groups set up through the Strategy to streamline processes and produce guidance.
39. **Local authorities** must back community energy projects in their areas. Their support can make a big difference to the success of community energy projects by providing them with support at key stages in their development. There are several examples of supportive local authorities in this strategy, and we want this to be the norm, which is why the Secretary of State for Energy and Climate Change has written to all local authorities in England.
40. **Developers of energy infrastructure** need to involve communities more. This can involve offering a share of ownership of wind turbines or a solar array. A starting point for this is the commitment from the renewables industry to facilitate a substantial increase in the shared ownership of new, commercial onshore renewables developments, but we want to see this become a reality between now and 2020.
41. Community energy requires investment, which can come from a number of sources. There have been many successful community share offers, and we support this model of drawing in **investment from members of communities** keen to share in the benefits of energy activities. We also recognise that other sources of investment are needed, and encourage **finance providers** to consider the benefits of supporting community energy.

42. DECC recognises the importance of building community energy into future policy. We are therefore establishing a dedicated Community Energy Unit to act as the Department's policy lead on community energy and to take forward implementation of this Strategy. We will continue to work with the Community Energy Contact Group to develop and implement the Strategy.

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Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2AW
www.gov.uk/decc
URN 14D/021