

Energy4All

Submission to the Cabinet Office review on Mission-led Businesses

Energy4All is a mission driven business, established as cooperative of community energy cooperatives and community benefit societies. We were formed in 1996 by Baywind - the UK's first significant wind cooperative in Cumbria. We have raised over £40m in equity, and £10m in debt through 26 cooperatives and community benefit societies which together have 13,250 members.

We endorse the Cabinet Office approach of looking at mission driven businesses. Our experience is that many people do want to play a part in ethical and sustainable businesses.

This paper sets out some issues which we think the review should address.

1. Fiscal incentives

The UK renewable sector, unlike several other countries in Europe, is dominated by larger utilities. We contend this is because there are significant barriers to community groups entering the market. Whilst government has made efforts to address some of these issues – for example through longer pre-accreditation and registration periods - other changes have been less helpful. In short government policy is on occasions at cross purposes.

The decision to remove tax reliefs for renewable energy has impacted the community groups, as have the sharp and sudden falls in price support. It is unfortunate that the main area where significant subsidies are still offered (offshore wind) is the one where community groups are least involved.

We have argued that government policy should recognise and then positively encourage community energy – through for example:

- A Community FIT for properly established community energy groups
- Social Investment Tax Relief for people making investments in such groups

2. Corporate structures

There are two main forms that community energy societies have taken; Cooperative Societies and Community Benefit Societies. Cooperative Societies, of which retail cooperatives are an example, have an international definition which defines their shared values and sets out how they should work.

The rules governing share offers of private limited companies are substantial, and make it very difficult for mission led businesses to raise capital. So the exemption from these regulations for cooperatives and community benefit societies is valuable and should be noted. However in the UK the Financial Conduct Authority have stopped new community energy groups from registering as cooperative societies because they do not trade directly with their members. This isn't an international requirement, and because it's very hard, if not impossible practically, for small groups to set themselves up in the UK to sell electricity direct, has stopped communities registering as cooperatives.

The remaining structure (of community benefit societies) is not an ideal approach for community groups and has significant drawbacks. We believe the Mission led business review should identify ways to make it as easy as possible for people to work together in cooperative and other structures to raise finance. This could be though widening the access to cooperative share offers, but we would be open to other corporate structures that would allow communities to raise necessary funds.

3. Pension funds

Pension Funds are the most significant collective savings structures in the UK. We think they are a good source of funding for social businesses. There are two ways this could be encouraged.

Firstly, pension funds could be required to invest a proportion of their funds into values driven organisations. This is similar to a system that operates in France and would increase the funds available to the sector.

A second option would be to facilitate the creation of structures (collective agencies for example) that create scale and make it possible for pension funds to invest in mission-led businesses. One issue that recurs is that the amount they can invest in community energy is too small for it to be worth the due diligence they would need to do.

Renewable energy cooperatives in other countries are looking at similar approaches. We think there is potential to learn from that work and develop a similar structure in the UK. We would be interested in developing this approach further.

4. National procurement

Government can support mission driven businesses in other ways. One of the most practical is how it purchases services itself. There have been a series of studies on national best practice in national procurement.

We think procurement needs to look more widely:

- To give a significantly greater weighting (positive and negative) to whether a business bidding for a public contract is acting in a mission led manner.
- To package, advertise and structure contracts in ways that allow cooperatives and other mission driven businesses the opportunity to compete for this work in a risk managed way.