

Rural Community Renewable Energy Fund

Main points

Date: March 2012

On 29 November 2011, the Government announced as part of the Rural Economy Growth Review that it would promote the development of community-scale renewable energy projects in England through the establishment of a £15m Rural Community Renewable Energy Fund.

This Fund will promote economic growth and job creation in rural areas, help rural communities to address their local needs by enabling them to generate an income out of their environmental assets, and contribute to the Government's renewable energy objectives. It is part of a wider package of measures designed to deliver the Coalition Government's commitment to "encourage community-owned renewable energy schemes" where local people benefit from the energy produced. This includes the Department for Energy and Climate Change's Community Energy Online Portal (<http://ceo.decc.gov.uk/>) and the £10m Local Energy Assessment Fund, launched by DECC Ministers on 7 December 2011 (<http://www.greencommunitiescc.org.uk/DECCAbout.aspx>).

The Government recognises the growing interest in developing local renewable energy projects, and knows that communities often struggle to find private investors willing to support them through the feasibility, planning and preparation work necessary to obtain planning permission. The Rural Community Renewable Energy Fund will provide loans to help rural communities undertake these initial stages, so that they can go on to benefit from the savings and returns available to them, including through Feed-in Tariffs and the Renewable Heat Incentive, once the projects are developed.

Full details of how the Fund will operate will be published in 2012, but the basic principles are as follows:

- Rural communities will be able to apply for loans towards the cost of undertaking the feasibility and planning stages of renewable energy projects.
- Communities will have to meet rigorous criteria in order to obtain the loans and demonstrate their commitment by bearing part of the cost of their project. In return, they will be provided with both funding and wider development support to make their project a success.
- Communities who are successful in obtaining planning permission will repay the loans at a premium out of the income generated by their renewable energy scheme, so that the Fund can be recycled to support further community renewable energy schemes in the future.

The Government is aiming for the Fund to open for business in 2012/13. The Government will monitor the success of the Fund, which echoes a similar fund operating effectively in Scotland. (<http://www.communityenergyscotland.org.uk/cares.asp>).

Frequently Asked Questions

Q. Who will manage the Loan Fund?

A. The Government intends to appoint an expert body to run the Fund on its behalf. Further details of how this body will be appointed will be published in 2012.

Q. What kind of renewable energy projects will it support?

A. The Government will publish full details of which renewable energy technologies will be supported in 2012, but it is anticipated that projects ranging from 500KW to 5MW will be supported across a range of technologies.

Q. Which communities will be able to apply?

A. The Government will publish full details of which communities can apply in 2012.

Q. Why is it a loan fund rather than a grant fund?

A. Loans are a highly effective and efficient way of using public money to benefit the greatest number of communities. In addition, renewable energy projects developed using loans can attract income through Feed-in Tariffs and the Renewable Heat Incentive, while those funded through grants cannot.

Q. How will communities repay the loan?

A. Details about how the loan scheme will operate will be published in due course, but it is expected that communities will be able to repay the loan either in a lump sum from the sell-on value of their project once planning permission is granted or from the income generated by their scheme over an agreed period for time.

Q. If a project fails, will the community need to repay the loan?

A. It is expected that the majority of projects will be successful, but a small number may encounter insurmountable problems and have to be abandoned. The Fund will allow for the write-off of loans in cases where the project genuinely cannot proceed for reasons beyond the community's control.

Q. Why is this Fund aimed at Rural Communities?

A. The Government identified in the Rural Economy Growth Review that rural communities in England are particularly well-placed to benefit from the opportunities presented by renewable energy generation, and Defra has been able to identify funding to develop this initiative. The Government has not ruled out extending the scheme to other communities in due course.

Q. Why are you focusing on renewable energy rather than energy efficiency?

A. The Government recognises the vital importance of improving standards of energy efficiency and has a number of initiatives aimed at supporting this objective, including the Green Deal, which will be introduced in 2012. The Government also believes, however, that renewable energy has an important role to play in meeting the nation's energy needs and reducing carbon emissions and wants to enable communities to develop and benefit from their own local-level renewable energy projects.

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