



COMMUNITY LOAN FINANCE
FOUNDED 1996



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Submitted by email to ress@dccae.gov.ie

17th January 2020

Re: Draft RESS Terms and Conditions

A chara,

Clann Credo - Community Loan Finance welcomes the publication of *Draft Terms and Conditions for the First Competition under the Renewable Electricity Support Scheme* in December 2019. As Ireland's leading provider of finance to the Community and Voluntary Sector, we support a roadmap for renewable energy generation which follows best practice by involving communities as well as public and private operators.

The terms of the Scheme represent an excellent opportunity pursue the three pillars of sustainability – People, Planet and Profits - in communities across Ireland:

1. The communal efforts and improved funding for local community groups will boost social capital and embolden communities to tackle a range of other social issues together. It should be aligned with Government's 5-year strategy to support the Community & Voluntary sector, *Sustainable, Inclusive and Empowered Communities (August 2019)* which aims to create vibrant, sustainable, inclusive, empowered and self-determining communities that support the social, cultural and economic well-being of all members.

Communities have a huge part to play in the collective effort to meet Ireland's energy targets and reduce carbon emissions.

2. The tangible effects of climate action efforts such as Sustainable Energy Communities will be visible in locally produced and consumed renewable energy.
3. The implementation of mandatory Community Benefit Funds and enabling of local ownership and a share of the returns of Renewable Electricity Generation will greatly enhance the future economic resilience and sustainability of communities.

The mechanisms for enabling local ownership and the returns of Renewable Electricity Generation should be consistent with the Governments strategy on social enterprise: *National Social Enterprise Policy for Ireland 2019-2022 (July 2019)*

Clann Credo is committed to building stronger communities by providing social finance for community growth. Since our establishment in 1996, we have lent over €137m to more than 1,900 groups and organisations.

We have invested in a range of climate action projects, including the development of Ireland's first eco-village at Cloughjordan, supporting a range of groups participating in the annual Better Energy Communities Scheme, and most recently helping Ireland's only community-owned electricity supplier, Community Power, to expand their operations.

We see communities across Ireland as playing a pivotal role in the transition to a low-carbon society, and as a community development organisation we are keen to see effective supports put in place to enable community involvement in and benefit from this change. From this perspective, we have the following comments on the draft terms:

Community Benefit Fund

The creation of a mandatory and uniform fund for the benefit of the community will increase the income available to local communities. We have seen first-hand the impact that existing Community Gains Funds can have when they are well-administered by grant givers with experience in community development. We would recommend that in addition to issuing best practice guidelines, consideration is given to utilising the extensive community development knowledge of local development companies and local energy agencies to ensure that grants are as effective as possible.

Renewably Electricity Participation Scheme

Our key concern in relation to the investment scheme is that it could impede community-led generation projects by attracting potential investors away from higher risk-community-led projects in their locality and towards the developer-led projects which have attractive and low-risk terms.

Nonetheless, there is considerable demand for sustainable investment in Ireland¹, and Clann Credo is supportive of such initiatives where they do not disadvantage community-led projects. This investment scheme has the potential to meet that demand and offer those living close to renewable energy projects the option to invest. While credit unions may be able to provide loans to enable cash poor households to participate in the investment, some further work to link the income from the Community Benefit Fund to repay credit union loans could leverage significantly more funds in the locality and ensure a higher take up of the scheme.

Enabling investment by local community groups and charities with an appropriate not-for-profit structure could also help to deliver benefits to lower socio-economic groups by enhancing the financial sustainability of groups delivering vital services.

¹ 'University of Cambridge Institute for Sustainability Leadership in co-operation with the Investment Leaders Group found that there was a strong preference for sustainable investing among consumers even when returns were 2 per cent or 3 per cent lower than they would otherwise be', <https://www.irishtimes.com/business/personal-finance/study-finds-investors-will-give-up-gains-for-sustainable-options-1.4058140>, accessed 17/01/2020

Community-led projects

The establishment of a separate Community Preference Category demonstrates a commitment to supporting community-led generation projects which is welcomed. While the RESS 1 support will mitigate the competitive nature of the market, it is vital that community-led projects are given appropriate support to identify a Bid Price that has a strong chance of being successful, whilst ensuring the viability of the project for the duration of the agreement. A high level of support to reduce the risk of bids not being accepted at this stage will be helpful in attracting lenders at earlier stages.

Clann Credo is committed to supporting community-led generation projects where they fit our lending criteria but cannot invest where the risks associated with competing in an auction are considered excessive.

The current definition of a Community-led projects currently precludes ownership by an organisation structured as a Company Limited by Guarantee (CLG). Given the government's commitment to building capacity within communities via Sustainable Energy Communities (SECs), many of which have a CLG legal form, it is essential that the definition is amended to include these entities.

The CLG form is widely seen as the most favourable form for community organisations that seek to ensure that the organisation's activities and surpluses are directed solely towards the stated community objectives.

Notwithstanding the need to work in partnership with individuals and private entities to achieve our energy goals, the CLG and Co-operative models are the best legal forms for ensuring that the community receives the most benefit from community-led projects and must be accommodated.

Consideration should be given to a wide range of options involving CLGs as a minority shareholder, owner, investor or partner. The inclusion of a CLG could replace the requirement for 150 shareholders to show community support and participation in cases where the CLG has a (reasonable) minimum number of members. The existing definition of a social enterprise developed under the National Social Enterprise Strategy should also act as a guide: *'Social Enterprises are businesses whose core objective is to achieve a social, societal or environmental impact. Like other businesses, social enterprises trade in goods or services on an ongoing basis. However, any surpluses they generate are re-invested into achieving a social impact.'*

Supports for communities

Having established the Clann Credo Sustainable Energy Community in 2018, Clann Credo has experienced the support currently offered by the SEAI and mentors to put our Energy Action plan into place. It is our view that a substantial increase in these supports is required in the short term if communities are to be equipped to compete in RESS auctions in the coming years. The current emphasis within SECs appears to be on energy conservation and reduction of fossil fuel dependence initiatives such as the Better Energy

Communities, and there is very little in the existing literature relating to community ownership of renewable energy initiatives.

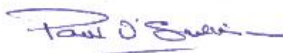
Communities need intensive support to develop the capacity to deliver the required level of professionalism involved in meeting the planning, regulatory and business requirements of electricity generation.

Consultation with our customers indicates that grid access continues to be the single greatest obstacle to getting community-led projects off the ground, as well as being a huge risk due to the costs of obtaining planning prior to applying for grid access.

Consideration should be given to establishing a National Community Renewable Electricity Development Agency as a facilitator and investor for community-led projects in order to spread the risks of upfront planning and grid access costs across all projects. Such an agency could be funded from the a ring-fenced portion of the Community Benefit Funds, existing PSO levies, carbon taxes, or development levies on developer-led or non-renewable electricity generators as a condition of grid access. There is also potential to leverage funds from under the InvestEU proposal for 2021-2027 and the European Investment Bank for this project.

Finally, it is anticipated that in the short to medium term, many community renewable electricity projects may fall below the 1MW threshold of the RESS scheme, and we suggest that a suitable scheme for these projects is put in place. When combined with appropriate supports, the experience of building and managing smaller projects will contribute to capacity building within communities to increase renewable energy production in years to come and help to achieve Ireland's energy goals.

Yours sincerely,



Paul O'Sullivan

Chief Executive Officer,

Clann Credo – Community Loan Finance

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