

# Community and Household Renewable Energy Grants Scheme: Briefing Document

## Consultation Process

1. The Department of Trade and Industry (DTI) is considering the design of a new capital grants programme for community and household renewable energy schemes. The new UK wide programme will make £10 million available over three years.
2. The DTI would like to hear your views on how the programme should operate. It is conducting a consultation process in 2 parts:
  - **Written consultation** – this questionnaire is being circulated to a wide group of stakeholders and will be used to inform a series of consultation workshops and to feed into a final report. The questionnaire will also be made available on the DTI's website.
  - **Consultation workshops** – these will take place during August in London, Edinburgh and Belfast. They will consider in more detail key aspects of the programme's design, including any contentious issues which have emerged from the questionnaire.
3. In order for your views to feed into the discussion at the consultation workshops, you will need to return the completed questionnaire by **Tuesday 6<sup>th</sup> August**. If you cannot meet this deadline, responses will be received up to and including **Friday 16<sup>th</sup> August**. Responses by this date will be considered in final programme design but it will not be possible to include them in all the workshop discussions. We regret that responses received after this date cannot be considered.
4. This briefing document is designed to accompany the attached questionnaire, and is cross-referenced to it. Please read it before completing the questionnaire.

## Background to Programme

5. In March 2001 the Prime Minister announced that an additional £100 million was to be made available for renewable energy. The Cabinet Office's Performance and Innovation Unit (**PIU**) detailed the allocation of this money in November 2001<sup>1</sup>. In this report the PIU recognised that "... (initiatives) will not get renewable energy off the ground unless the public extends its general support for renewable energy to support for renewable energy in local situations. This makes community engagement crucial, so that more people are either individually involved in renewable energy schemes or able to see them."
6. **The PIU therefore recommended that up to £10 million of support be provided over a period of 3 years as capital grants specifically for renewable energy schemes that engage local communities or individual households.**

## Definition of 'Community' and 'Household'

7. The PIU recommended that eligibility should be restricted to "renewables deployed at the level of households, or buildings/land owned by non-profit making organisations". **Individual household schemes** are defined as those where an individual householder installs renewable energy on his/her own house. **Community schemes** generally involve an organisation or group of individuals developing a renewable energy scheme.
8. Examples of a community scheme might include:
  - a **grouped housing** installation such as a "solar street" where solar panels are fitted to the roof of every house in a street;
  - incorporating solar water heating into a **new civic building**;
  - installing a wind turbine to provide electricity to a **school or hospital**,
  - or a biomass heating system for a **school or community farm**.

<sup>1</sup> <http://www.cabinet-office.gov.uk/innovation/2001/energy/Renewener.shtml>

## Capital Grants

9. This programme is aimed principally at providing **capital grants**. Other forms of funding might be considered if they were shown to provide real value to community and household schemes. These could include:
- **soft loans** (i.e. loans at zero or very low interest rate), which can help finance schemes with a high capital cost, and/or
  - **feasibility funding**, which can help schemes through the early stages. One danger with feasibility funding is that schemes will not go ahead, meaning there is less money for capital grants to successful schemes.

## Household Schemes

10. It is envisaged that **only capital grants** will be given to household schemes, rather than other forms of funding. It is envisaged that grants would be awarded under a continuously open call, meaning that householders could submit applications at any time. Applications would be judged against a pre-selected list of criteria, with notification of result given within 2 months of submission of the application form.
11. Capital grants could be offered in the form of a **flat-rate capital grant** (of say £200) for all individual household schemes, regardless of the technology used. Another approach is to offer **% based grants** or **fixed rate grants** specified at different levels for each technology.
12. For household schemes, a **simple “cash-back”** scheme is envisaged. This is where a householder receives grant payment as a lump-sum upon proof of installation/commissioning. An alternative approach is a **two-stage payment**, where the household receives part-payment on grant acceptance, and remainder on proof of installation/commissioning. However this is more difficult to protect against fraud and more costly to administer.
13. It is envisaged that **off-grid** renewable energy technologies would be **excluded** from the programme because (a) they are generally economic and thus do not need financial support and (b) they tend to be less accessible to public view. It is also envisaged that **DIY schemes** (where the householder installs the system him/herself) should be **excluded** from the programme, unless the householder is accredited as having undergone professional training.

## Community schemes

14. For community schemes, it envisaged that grant applications could be made for any amount up to an **upper ceiling**. In order to ensure the £10 million is equitably spent between a variety of schemes, locations and organisations, a lower percentage ceiling on grant funding might be preferable. It might also be desirable to impose a cash ceiling for any one application.
15. It is envisaged that applications will be assessed on a **funding round** basis, several times a year to pre-announced deadlines, by a panel of independent reviewers and/or expert consultants. This means applications can be judged competitively against others, which will help ensure funds are allocated efficiently and streamline the application process. Unsuccessful applicants would be able to reapply once in any given year.

## Renewable energy technologies and resources

16. The PIU has recommended that “no restrictions would be placed on the types of technology employed”. However, each renewable energy technology and resource has its own barriers and existing support mechanisms, which will need to be considered when designing the programme.
17. The table below contains some key issues and suggestions for the treatment of different forms of renewable energy under the programme.

Renewable energy	Key Issues for Community and Household Schemes	Proposals regarding Inclusion in this Programme
<b>Solar water heating (SWH)</b>	<ul style="list-style-type: none"> <li>• Good for raising awareness – publicly visible, small dispersed schemes, accessible to many householders.</li> <li>• Well suited for household applications, and some non-domestic buildings</li> <li>• Barriers include high cost, fear of “cowboy” installations, lack of understanding of technology</li> <li>• Currently no capital grants available centrally. Some dispersed “solar club” initiatives. Limited funds under Energy Efficiency Commitment.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capital grants should be offered for household and community schemes.</b></li> <li>• Grants should mainly target household schemes. However non-domestic buildings should not be ruled out.</li> <li>• The establishment of community “solar club” initiatives should be encouraged.</li> </ul>
<b>Solar electric (PV)</b>	<ul style="list-style-type: none"> <li>• Good for raising awareness – publicly visible, small dispersed schemes.</li> <li>• Well suited for household and non-domestic applications.</li> <li>• Main barrier at present is high capital cost / long payback period.</li> <li>• Capital grants already available UK-wide under Government’s £20m PV Major Demonstration Programme (50% grants for domestic and 65% for public sector).</li> </ul>	<ul style="list-style-type: none"> <li>• PV is already well supported under the PV Major Demonstration Programme.</li> <li>• As such <b><u>no further capital grants should be provided under this programme.</u></b></li> </ul>
<b>Groundsource heat pumps</b>	<ul style="list-style-type: none"> <li>• Medium to low potential to raise awareness. Schemes less visible than other technologies.</li> <li>• Requires electricity to make it work and therefore might be considered an energy efficiency rather than a renewable energy technology.</li> <li>• Barriers include high capital cost and requirement for large land areas / borehole drilling to immerse heat collection pipes, limited number of installers.</li> <li>• No capital grants available centrally. Limited funding under Energy Efficiency Commitment.</li> </ul>	<ul style="list-style-type: none"> <li>• Some support could help stimulate market and bring costs down. <b>Therefore some capital grants should be offered to household schemes.</b></li> <li>• Applications should demonstrate the system is the most efficient choice (this may limit applications to electric-heated properties only).</li> </ul>
<b>Biomass (wood fuel)</b>	<ul style="list-style-type: none"> <li>• Range of project sizes. Can include wood stoves in individual houses, wood fuelled boilers or combined heat and power (CHP) systems for groups of houses, schools, hospitals etc.</li> <li>• Good potential to raise awareness, both at the household and community level.</li> <li>• Barriers include high capital and running costs, lack of established fuel supply, lack of familiarity with technology.</li> <li>• Some funds available from Government for biomass-based “heat clusters”, CHP, district heating systems and establishment of energy crops. However gaps still exist.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capital grants should be offered to biomass (wood fuel) projects at both the household and community level.</b></li> <li>• Grants at the household level should take account of the established market for wood stoves and customer’s willingness-to-pay.</li> <li>• Grants at the community level should be used to fill gaps in existing funding, and provide top-up funding in certain situations.</li> </ul>
<b>Biogas</b>	<ul style="list-style-type: none"> <li>• Will generally be community schemes rather than household.</li> <li>• Barriers include high costs of installing and maintaining digester and heating network.</li> <li>• Some (limited) central funding available for district heating and agricultural applications.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capital grants should be offered to community biogas projects.</b></li> </ul>
<b>Wind</b>	<ul style="list-style-type: none"> <li>• Potential for medium sized community projects as well as small household level turbines.</li> <li>• Good for raising awareness – publicly visible, ideal for community involvement in projects.</li> <li>• Barriers include cost, grid connection, security of income under new electricity trading arrangements (esp. for small schemes), getting planning permission.</li> <li>• No capital grants available, but revenue may be supported by Renewables Obligation.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capital grants should be offered to both community and household wind schemes.</b></li> </ul>

<b>Small hydro</b>	<ul style="list-style-type: none"> <li>• Awareness raising potential better with community schemes. Household schemes likely to be off-grid (see para.10 above).</li> <li>• Good potential for community involvement.</li> <li>• Barriers include high capital costs, ability to get planning and abstraction licence.</li> <li>• No capital grants available, but revenue may be supported by Renewables Obligation.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Only community schemes should be supported by capital grants.</b></li> <li>• Household schemes are likely to be off-grid (hence already economic) and less publicly visible.</li> </ul>
<b>Renewable transport</b>	<ul style="list-style-type: none"> <li>• Could include vehicles run on biofuels, electric vehicles with solar charging, fuel celled vehicles with renewable-generated hydrogen, etc.</li> <li>• Principally a downstream application of renewable energy resource.</li> <li>• However, could merit support if in conjunction with community car-share schemes etc.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Some capital grants should be offered to community transport schemes</b> involving the establishment of new renewable energy facilities.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• There may be other forms of renewable energy scheme we have not included. These should not be excluded from the scheme.</li> <li>• In particular, projects involving the integration of different forms of renewable energy (e.g. into a building project) should be encouraged.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Applications involving other forms of renewable energy should not be excluded.</b></li> <li>• Schemes involving the integration of renewable energy (e.g. into buildings) should be encouraged.</li> </ul>

### Questionnaire

18. Please now take the time to let us know your views by completing the questionnaire. The questionnaire poses key questions related to the issues raised in this briefing document. The questionnaire is cross referenced to the relevant paragraphs in this text. You need only complete the sections where you wish to express an opinion. Thank you for your time.