2021-2022 Pre-Budget Submission to Department of Treasury

Community Power Agency

For more information on this submission please contact:

Kristy Walters kristy@cpagency.org.au
0490 505 802
www.cpagency.org.au

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Executive summary

Australia has an immense opportunity on its doorstep. Our communities are recovering from the combined economic impacts of the 2019-2020 bushfires and a global pandemic while we are also on the cusp of a transformation of our energy systems. Regional communities have access to abundant natural resources that they can harness to revitalise their area. The opportunity lies in supporting community energy projects to flourish in communities across the country.

Community energy is an essential part of the energy transition because it demonstrates the benefits of renewable energy to regional communities, increases energy literacy and enables everyday Australians to play an active role in the transition. These projects also create significant economic development and job opportunities, largely in regional areas.

However, the community energy sector is currently not supported in any way at a Federal level.

This submission describes community energy projects, the benefits these projects can deliver and why community energy projects need policy support.

Community Power Agency's Key Recommendation for the 2021-22 budget:

Establish the Australian Local Power Agency to enact national community energy policy via the Local Power Plan, supported by $483 million over 10 years.

About Community Power Agency

The Community Power Agency (CPA) was established in 2011 to grow a vibrant community energy sector in Australia. We work to support Australian communities to establish community clean energy projects through the provision of resources, advice, training, workshops and mentoring. To date we have worked directly with more than 50 Australian community energy groups. We also helped found and coordinate the Coalition for Community Energy which now has over 90 member organisations.

Community Power Agency has significant experience in energy policy design and implementation with particular focus on community energy and clean energy access. Examples include:

- Helping the NSW Government design their three community energy grant programs,
- Development of the ARENA funded National Community Energy Strategy,
- Assisting in the design of the community engagement and community benefit component of the Victorian Renewable Energy Auction Scheme, including the publication of the guide *Community Engagement and Benefit Sharing in Renewable Energy Development* (2017),
- Evaluating the Victorian Community Power Hubs Pilot Program (interim and final evaluation), and
- Managing the ARENA and NSW Government funded Social Access Solar Gardens project. This project led to CPA developing recommendations for enabling all Australians to access renewable energy.

1. What is Community Energy

What is community energy?

Developing community energy projects and initiatives is one of the main ways that communities across Australia (and around the world) are driving and benefiting from the energy transition locally. The community energy movement has shown all around the world that one of the most comprehensive ways to build resilience in rural and regional communities is by installing community-scale renewable energy generation and storage facilities. The countless success stories prove that emissions reduction enables communities to build resilience, often one house at a time.[1]

Community energy offers a model for ensuring that everyday people can access the full benefits of the renewable energy boom that is already underway in regional Australia. When communities are involved in renewable projects, they deliver financial, social and environmental benefits locally.

A key characteristic of community energy projects in Australia is the deviation from the norm of conventional power production, which has been large-scale, centralised and mono- or oligopoly owned either by the state or large corporate bodies. Indeed, individually or collectively owned energy projects offer a number of benefits at local level and empower consumers to influence the social context of the energy transition.

How does community energy provide benefits locally?

International studies confirm that communities are strongly motivated by taking control of their own electricity supply to contribute to a range of positive environmental and social outcomes. A wide range of benefits has been demonstrated to flow from community renewable energy projects, due to their unique ability to involve people in renewable energy generation.

Some of the economic, social and community benefits are:

Economic benefits:

- Cheap power as renewable energy is now the cheapest new build form of energy
- Regional exports, by securing ownership of energy assets that money stay in the region
- Local jobs as when energy projects are locally driven, they employ more locals
- Farm income from hosting energy projects
- Income for councils through rates and other schemes
- Community development as many projects allocate a portion of revenue to finance local projects.

Community & social benefits

- Energy reliability through more and distributed energy generation sites
- New pathways for volunteering and building social cohesion
- Increased energy literacy
- Disaster resilience via local storage projects
- Indigenous empowerment through creating economic opportunities on Country
- Energy access via community energy groups installing solar for low income households

[1] Klose, C., & Matt, G., 2020, Community energy movement: Reductions enable Resilience. Retrieved May 15, 2020, from https://www.pv-magazine-australia.com/2020/02/04/community-energy-movement-reductions-enable-resilience/

The particular advantages of a community approach to renewable energy development lie in the potential to:

- build community resilience and empowerment
- build a strong understanding of renewable energy;
- support regional communities and foster local economic development;
- help develop renewable energy industries, technology, jobs and training.

Community energy projects enable groups to act on many values and goals simultaneously: they can address concerns about sustainability, while educating the community about renewable energy and generating new income streams for both investors and for community projects.

In essence, community energy has the potential to leverage the organisational resources – time, money, land, rooftops – of thousands (if not millions) of new actors in deploying renewables and other clean energy solutions to reduce emissions. It also means putting people at the centre of the energy transition and consequently ensuring that everyone can participate and benefit.

All Australians, no matter what they earn or where they live, deserve access to affordable clean energy.

Box 1: Community energy as the job motor for regional Australia

Community ownership implies an economic value add of about AU$5,000 - 8,000/ MW/year which goes to the community through for example:

- *Greater use of local content, including more local jobs and contractors, particularly in the construction phase. This in turn increases local skill development, which can be leveraged by regional businesses into contracts in the wider renewable energy industry.*
- *Larger and more appropriately targeted benefit funds/programs*
- *More of the profits being retained locally, as local investors/owners spend their profits in the local community*
- *The economic benefit derived from community energy project is 1.5-7 times greater than renewable energy projects by corporate initiatives.*

2. Appropriate action to build resilient communities

Empowering communities to become resilient

There is now a clear opportunity where regional and rural communities across Australia can be supported to rebuild their futures in a way that makes them more resilient. Embracing renewable energy can provide a way for communities to redesign a better and more robust system and curb rural decline.

Around the world, communities have invested in renewable energy projects that form the foundation of healthy local economies. Instead of funnelling money to electricity corporations,

profits remain in the hands of the community, and community members can build their capacity. Scotland and Germany have illustrated how community energy can support communities to transition towards a decentralised, de-carbonised and democratised electricity supply. However, this has been achieved through sustained and coordinated government policy.

The COVID19 recovery now presents an opportunity to illustrate that similar benefits can be produced by and for rural communities across Australia. Directing stimulus or recovery money towards community-led, decentralised electricity and storage projects will enable regional Australia to take control and benefit from generating clean energy.

Creating resilient and adaptive communities

Community energy constitutes a strategy to foster resilient communities. Locating energy generation and storage infrastructure close to or within communities improves the security of local energy supply by reducing the risk of disaster-related blackouts.

In the 2019-20 summer, towns such as Corryong, Cudgewa and Mallacoota were isolated from the grid for several days after fires burned through the transmission lines connecting them to the grid. As a result, some of these communities are now actively exploring local power generation and mini-grid technology as a plank of their future disaster resilience strategy. The major asset of community energy is the diversity of project types based on the technology employed, scale, organisational and ownership structures, processes used and motivations for development. This enables these projects to suit the local context and local needs, thereby contributing to the creation of more resilient communities ensuring e.g. energy security and affordable electricity supply.

Extreme heatwaves can also lead to localised blackouts and load shedding. With the increased risk of these events, the health and safety risk to communities also rises. A strategy to cope with these challenges is to create community cool zones where people can go to stay cool in extreme heat. A Community energy model where solar PV arrays backed up with batteries are installed on community facilities to provide cooling are an ideal model for this. Thus, when the power is down, members of the community and particularly those at most risk could come to these cool community facilities. These would operate in a similar way to SAPS, requiring renewable energy and energy storage systems that can work independent of the wider electricity system (islanding) and which can generate enough electricity to power the cooling system and other essential services for up 6 - 24 hours, and create a cool island effect.[2]

Community energy projects such as this also demonstrate great potential to increase the social resilience of communities to better tolerate, absorb and cope with external shocks.

By bringing communities together, community energy helps to build social connections, solidarity and community coherence.[3] It empowers community members to jointly respond to social and economic risks e.g. to hedge against the risk of ever-increasing electricity prices through adopting individual or shared clean energy projects. Co-owned and self-managed community energy projects can also provide a sense of responsibility and trigger behaviour change towards the resource 'energy'.

[2] Ison, Nicky 2012. Creating cool community oases in heat waves. Accessible at https://medium.com/@nicky.ison/creating-cool-community-oases-in-heat-waves-abf3594fa01a

[3] Middlemiss, L., & Parrish, B. D. (2010). Building capacity for low-carbon communities: The role of grassroots initiatives. Energy Policy, 38(12), 7559–7566. https://doi.org/10.1016/j.enpol.2009.07.003

Locally led community responses

There are many stories and examples from communities' innovation and leadership to rebuild and heal after crisis events like the bushfires or economic downturns from the Covid19 pandemic. Bega Valley was hard hit by the 2019-20 bushfires and also in 2018, during the devastating Tathra bushfire. Despite these ongoing challenges this community continues to show strong support for locally owned renewable energy.

Box 2: Community energy makes regional Australia more resilient

> *The community energy group, Clean Energy for Eternity (CEFE) have been operating since 2006 and have developed a community dialogue around the transition to clean energy.*
>
> *They initiated various projects including the Imagine 30kW solar farm at the Tathra Sewage Treatment Plant in partnership with the local Council.*
>
> *Financial returns from the Imagine project have helped to install solar PV on almost 40 community buildings, including 13 RFS sheds.*
>
> *After the 2020 fires CEFE installed a 3.5kW solar system on the Quaama RFS shed which acted as a haven when the fires tore through the town.*

In Moruya, the South Coast Health and Sustainability Alliance (SHASA) continues to rebuild after the fires wreaked havoc across the region. SHASA has now undertaken multiple successful solar PV and battery bulk buys and is using funds generated from these projects to fund solar installations at the Eurobodalla Women's Refuge and the Bodalla Local Lands Council. This local community energy group is building the resilience of its community and reducing its carbon footprint.

In the last decade an impressive community renewable energy sector has emerged in Australia. The sector combines both supply (energy generation, distribution and retail) and demand side (energy use, including energy efficiency) activities. Across the country, there are 110 community energy groups. Responsive policies and programs have enabled these groups to learn about community energy and plan projects that will benefit them, however more is needed.

It is time for the Federal Government to join the people and support their efforts by demonstrating strong and consistent leadership towards renewable energy and energy efficiency. There are already a number of community energy projects and models around Australia that enable communities to play a more active role in the National Electricity Market.

3. Why community energy needs national policy support

There are a number of challenges facing the setup and expansion of community energy projects, this section outlines the main challenges that the Local Power Plan would address.

No policy support for mid-scale renewables

In Australia, all policy support for renewables has either been at the household or small-commercial scale (feed-in tariffs, SRES and rebates) or large-scale renewables (RET and reverse auctions). To date there has been no policy support for renewable energy projects between 1-30 MWs. As such there are very few projects of this size in Australia, despite the fact that there are significant benefits of community-scale renewables, such as reduced line losses and increased diversity of sites.

Indeed, large-scale renewable energy projects are currently facing challenges associated with being located away from load centres, often in weak grid areas. This is reflected in the current discussion about Marginal Loss Factors (MLFs), grid congestion and the deliberate curtailment of generation capacity of selected wind and solar projects across the NEM. Ultimately these projects are experiencing reduced revenues, which in turn is having a negative impact on their economics, and on their ability to source finance.

One strategy to safeguard the energy system transformation and ensure a continuous growth of renewable energy capacity is to increase the amount of medium-scale projects distributed across many communities in Victoria. Hence, supporting community energy can help to better manage the grid limitations, particularly as new transmission is built over time.

Access to upfront funding

The 2012 Australian Community Energy Opportunities and Challenges report identified the lack of early stage funding as one of the biggest barriers to community energy projects in Australia. The early stage of community energy projects involves taking a project from an idea to a tangible plan: taking it through the pre-feasibility, feasibility and planning approval stages to a point where the projects are investment ready. These stages are the most risky for any renewable energy venture. However, unlike private enterprise or government bodies, community actors do not typically have large reserves of capital upon which to draw. Once a community energy project is investment ready, they regularly secure the community finance needed sometimes in under 10 minutes. This shows there is no shortage of community members wanting to put their money into community energy projects.

UK experience, particularly in Scotland and Wales, shows that a relatively small amount of money in the form of a government grants make a significant difference to the development of community energy projects and a broader community energy sector.

The funding and assistance provided through the Victorian New Energy Jobs Fund and the Community Power Hubs Pilot enabled numerous communities to realise their community energy endeavours. However, more support is needed to ensure more communities have a chance to implement renewable energy projects and help their community act on climate change.

Modelling conducted by Marsden Jacobs and Associates suggests that the funding required to unlock community energy is in the order of 10%, but over time could leverage $17 of community investment for every $1 of government funding.

4. Recommendations for Federal Government action

We encourage the Federal Government to implement the *Australian Local Power Bill 2021* that will be introduced in February by Member for Indi Helen Haines.

This bill would establish a new Commonwealth Agency – Australian Local Power Agency (ALPA) to deliver the Local Power Plan and to fund its three schemes with $483 million over 10 years.

The Local Power Plan is a blueprint for everyday Australians to benefit from the coming boom in local, cheap and clean power. Co-designed with community energy groups across Australia, it was based on the National Community Energy Strategy that Community Power Agency developed with the Coalition for Community Energy in 2016.

Specially we recommend the Federal Government enact the following three schemes of the Local Power Plan that combined could largely alleviate many of the challenges outlined in the previous section:

a) Local Power Scheme

The Local Power Scheme would establish 50 Local Power Hubs across regional Australia to support communities to develop their own renewable energy projects. Each Hub will provide technical and project support to community energy groups, and work with them to access a new $310 million Local Power Fund to provide strategic development capital. Over 10 years, the Local Power Scheme will catalyse thousands of small-scale projects across Australia

This program approach can be thought of as Landcare for Clean Energy. The National Landcare program that consists of 56 NRM organisations (Hubs), supporting thousands of volunteer Landcare and Coastcare Groups, connected by a National Landcare Network (capacity building network).

b) Underwriting Community Renewables Scheme

This scheme will provide financial certainty to new mid-scale energy generation and storage projects that are at least 51% community owned. UNCI will unlock billions of dollars of private investment to support communities to build their local energy independence and resilience.

Under this scheme the government would subsidise eligible energy projects the gap between the average annual wholesale electricity price and the target price of $80/megawatt hour, when the average price falls below the target price.

c) Community Renewable Investment Scheme

The Community Renewable Investment Scheme will implement a new requirement for any new large-scale renewable developments in Australia to enable local communities to purchase 20% of the project equity. CRIS will enable partnerships between developers and local communities to ensure that communities have the option to invest in projects happening in their area.

This proposal would take effect from 1 July 2021 with ALPA provided on-going funded:

- to develop guidelines for the scheme
- Assess whether developers meet those guidelines
- Award approvals once developers have completed co-investment funding rounds

Further detail can be provided on request.

Appendix 1

Further resources

C4CE (2015) National Community Energy Strategy. Sydney

C4CE (2017) Small-Scale Community Solar Guide. Sydney.

Community Power Agency. Renewables for All. Resources.

Hicks, J. and Ison, N. (2018) 'An exploration of the boundaries of "community" in community renewable energy projects: Navigating between motivations and context', Energy Policy. Elsevier Ltd, 113(June 2016), pp. 523–534. and

Hicks, J. and Mey, F. (2014) Government Support Options For Community Energy: Best Practice International Policy. Link: https://cpagency.org.au/wp-content/uploads/2019/07/Best-Practice-International-Policy.pdf

Ison N. (2018) Repower Australia Plan. Prepared by Community Power Agency for Australian Conservation Foundation, GetUp!, Solar Citizens, the Nature Conservation Council, Environment Victoria, and 350.org.

Lane, T., & Hicks, J. (2017). Community Engagement and Benefit Sharing in Renewable Energy Development. Melbourne: Victorian Government Department of Environment, Land, Water and Planning.

Lane T., Hicks j., Memery C. and Thompson B. (2015) Guide to Community-Owned Renewable Energy for Victorians. Melbourne.

Mey F., Hicks J. and Ison N. (2018) Taxonomy of Citizen and Community Energy: Analysing the drivers, models and real world outcomes of community and citizen energy initiatives in Australia, Germany, Denmark and Scotland. Paper presented at the IPSA Conference in Brisbane July 2018.

Further links:

http://c4ce.net.au/
www.cpagency.org.au