Exploring the role of the Community Benefit Society governance model and democratic community-led finance in community shared ownership of offshore wind.

Executive Summary

This report explores the viability and strategic advantages of the Community Benefit Society (CBS) governance model and the role of community-led democratic finance to enable Community Shared Ownership (CSO) in offshore wind projects.

Despite plenty of discussion around this topic, there has been little in-depth investigation or evidence on what is possible and realistic. This report delves into the possible while also recognising that more research is required.

Using insights from the DTAS Community Shares Scotland programme (now Democratic Finance Scotland) and support from SSE Renewables, the findings reveal that CBS structures, supported by democratic finance (primarily community shares and community bonds), could offer communities the opportunity to pursue community shared ownership of offshore wind. This would give communities access to sustainable financial returns, governance control, and long-term community funds. However, challenges in financing, governance, and policy support must be addressed to make this viable at scale.

Community Benefit Society model for Offshore Wind CSO

A Community Benefit Society is a legal structure for organisations that wish to operate on a not-for-profit basis for purposes that benefit the community as a whole. It is a 2-tier structure, **meaning that the foundation of the organisation is broad and accessible grassroots membership**. A CBS is therefore a very appropriate model for CSO where the governance of the organisation engaging in the shared ownership arrangement must be accessible, democratic and focused on wide community benefit.

While we believe there should always be a focus on localised benefit for the communities closest to the renewables infrastructure, CSO of offshore wind presents an opportunity to create a CBS with a much wider definition of community – for example either national or regional.

The key benefit of the CBS structure is the ability to raise investment using democratic finance models – specifically community shares and community bonds.

Financial Viability and Funding Challenges

To secure a 1% revenue stake in a 1GW offshore wind project a CBS would require a substantial investment, estimated around £16 million. While community shares and bonds could raise portions of this sum, **additional patient and affordable funding sources will be necessary to make this financially viable for communities**. This report details the different possibilities such as a mix of democratic finance and the need for a role of the Scottish National Investment Bank role, GB Energy, social investment finance and also the exploration of a Scottish National Wealth Fund.

Next Steps and Key Actions

To advance the role of democratic finance and CBS governance in offshore wind CSO, targeted action is needed on policy development, innovative funding packages and further engagement with offshore developers.

DTAS, through the Scottish Community Coalition on Energy and National Strategy for Economic Transformation groups are advocating for policies that support community-owned energy and CSO.

While CBS-led community ownership in offshore wind presents considerable potential, success depends on substantial investment in democratic finance, policy alignment, and strategic partnerships with financial institutions and government bodies.

For communities to benefit fairly from the renewables transition, tailored and affordable financing options for CSO, which complement democratic finance models, must be further investigated with financial institutions. Additionally, both Scottish and UK government must offer a supportive regulatory environment and clear policy frameworks and support to make CSO feasible.

This report highlights the challenges and risks but also offers routes to overcome some and next steps required.

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Development Trusts Association Scotland

Research Paper – October 2024

Funded by SSE Renewables

Exploring the role of the Community Benefit Society governance model and democratic community led finance in community shared ownership of offshore wind.

1. Key Outcomes

Through DTA Scotland's delivery of the Community Shares Scotland programme and our wider community work, we have evidence that Community Benefit Societies (CBS) and democratic finance models provide an opportunity to empower communities at a local level.

This research is exploring the role of the CBS governance and democratic finance model on a broader scale and whether the following outcomes are achievable for Community Shared Ownership (CSO) in offshore wind:

Community Benefit – we advocate for fair and transparent distribution of wealth within a community. Private financial gain should never be prioritised or supersede the broader community and social benefit. This includes communities being provided with all options of all community benefit opportunities (full ownership/shared ownership/community benefit funds).

Democratic Community Control – we advocate for community-led, democratic governance models. This means 2-tier legal governance structures with accessible and open grassroots community membership as the foundation. Management Committees should be elected from and by the membership. Any conflicts of interest should be transparent and well managed.

Financial Equity and Inclusion- we advocate for investment opportunities that are fully accessible and open to all. Citizens and local organisations should be offered the opportunity to invest in their community – and in return receive a social return, as well as a fair financial one. Crucially, control of a community-led organisation should not be linked to wealth. Governance and investment models should operate on a 'one member one vote' basis – meaning members have equal control regardless of how much they may have invested financially.

Community Legacy Funds- we advocate for long term, sustainable wealth distribution within communities through the creation of Community Legacy Funds.

We do not want to promote the use of Community Benefit Societies and democratic finance models for offshore Community Shared Ownership if they do not contribute effectively to these key outcomes. We are aware that CSO of offshore developments adds complexity when defining community benefits by a limited geographical area – this is explored further below.

2. Is a Community Benefit Society (CBS) an appropriate legal structure for Community Shared Ownership (CSO) of offshore wind?

A Community Benefit Society is a legal structure for organisations that wish to operate on a not-for-profit basis for purposes that benefit the community as a whole. A CBS is registered with the Financial Conduct Authority and the regulatory legislative context is the Co-operative and Community Benefit Societies Act 2014.

A Community Benefit Society is a 2-tier structure, meaning that the foundation of the organisation is broad and accessible grassroots membership. Membership of a CBS is open to everyone who agrees with the CBS' social objects and purposes and private individual gain can never be prioritised over the defined community benefit. The management committee of a CBS is democratically elected from its membership on a one member, one vote basis.

A CBS is therefore a very appropriate model for CSO where the governance of the organisation engaging in the shared ownership arrangement must be accessible, democratic and focused on wide community benefit.

Definition of the CBS community of benefit:

The FCA does not stipulate any rules regarding the definition of community of benefit. The definition can be geographical, of interest, or both. The CBS can self-define the community which will benefit from their activities. For CSO of **onshore** wind, typically a CBS would have a community of benefit with a tight geographical limit to encompass the communities closest to the turbines.

While we believe there should always be at least a portion of localised benefit for the communities closest to the renewables infrastructure, CSO of offshore wind presents an opportunity to create a CBS with a much wider definition of community – for example either national or regional. We have explored this further in Section 7.

3. Can a CBS legally invest in a Shared Revenue CSO arrangement with a private developer?

To answer this question, we sought advice from several experts including the Coops UK Cooperative and Community Capital Committee. The summarised response was:

> Within the parameters outlined below, the consensus is that a CBS is legally able to make investments into external entities.
>
> As with any CBS (new or existing), a CBS making investments into an offshore renewable scheme would need to ensure that they were operating within the legal parameters set out in the Co-operative and Community Benefit Societies Act 2014 and within the rules for CBS registration stipulated by the registrar Financial Conduct Authority. If the CBS is also a registered charity, there may be additional requirements from OSCR. Additionally, a CBS must ensure that their governing Rules specifically allow them to invest their funds. The caveat here is that any investment **must clearly be in the best interest of the Society and the defined community of benefit.**
>
> In particular, the FCA rules state that a CBS must carry out a 'trade, industry or business for the benefit of the community'. This leads to a key question – would the FCA consider investing or asset management to be an appropriate 'trade, industry, business'. The FCA does not provide a definition of 'trade, industry, business', other than saying that a CBS must have one. In the event that a CBS was set up for the sole purpose of making investments, the FCA might take the view that investing in isolation is not seen as a trade for a CBS. Instead, the CBS may need to ensure it was also carrying out another 'trade'- for example grant/funding distribution, environmental awareness and training, community climate action work or community regeneration.

Precedent- There is some useful precedent in Wales, where the Welsh government's approach to CSO is similar to Scotland. A Welsh CBS with CSO intentions has recently been approved by the FCA. The relevant wording used in their application to the FCA is- 'Develop a society which intends to provide long term sustainable philanthropic benefit in accordance with Welsh Government policy on community involvement in the energy transition'.

For Community Benefit Societies that are also registered charities, OSCR provides extensive guidance on how a charity can invest- https://www.oscr.org.uk/media/3352/2018-11-19-investments-guidance.pdf. Specifically, a charitable CBS may need to consider what 'type' of investment this would be- e.g. PRI (Programme Related Investment) or MMI (Mixed Motive Investment) investment.

Conclusion- There was a general consensus that due to the potential scale of the investment needed this is unchartered territory and therefore any further exploration would need some further focused legal input. In particular, we suggest an exploration of the concept of a 'Collective Investment Scheme' is needed as it was agreed that this is what the FCA will be most wary of in this context. This research is underway.

Overall, there was a clear consensus that there is a huge opportunity to advance the argument that such a windfarm investment will ultimately significantly benefit communities via the distribution of finance for the advancement of community development.

4. The key benefits of using a CBS for a CSO arrangement with a private developer

Democratic Finance: The key benefit of the CBS structure is the ability to raise investment using democratic finance models – specifically community shares and community bonds.

Community shares is a tried and tested democratic finance vehicle that aggregates investment from communities (both individuals and organisations) into a CBS. UK wide, 540 Community Benefit Societies have raised over £210 million in community shares. This community shares investment has come from more than 130,000 people and organisations.

This investment, added to other debt and grant finance, could allow the CBS to undertake a CSO opportunity into offshore renewables. By purchasing a community share, the person or organisation becomes a member of the CBS and has a democratic say in how the CBS operates. This is key in the context of CSO where grassroots community control and ownership should be the bedrock.

A further democratic finance option for a CBS undertaking a CSO opportunity is to issue community bonds to raise some of the finance needed. Unlike community shares which is an equity vehicle, community bonds are a democratic finance vehicle that raises debt for a CBS. Like community shares, there are no secondary markets for community bonds – you cannot sell or trade a community share or a community bond. Instead, the exit route for the bond investor is a fixed maturity date.

Another key benefit of community bonds and shares is they are very long-term, patient forms of finance, where the control sits with the community organisation. A community share offer in particular affords the CBS a lot of control in terms of when they might offer their shareholders the ability to withdraw their shares. Typically share withdrawal is not offered until at least 3-5 years post CBS initial trading year.

Community shares and community bonds are very affordable methods of raising finance - typically offering interest rates in the region of 2-3% over the Bank of England base rate. These rates are often significantly below those offered by mainstream or social investment lenders. The rate of interest offered on community shares is something that the FCA will sense check. They are very clear that interest on community shares is a cost of capital to allow a Society to progress its social aims. **Interest on community shares is not a distribution of profit and can never be promoted to potential investors as such. Private financial gain should never be prioritised over wider financial or social gain for the community.** Additionally, a CBS Management Committee every year has the discretion over whether the CBS can afford to pay interest or not, and at what level.

Since the demise of FiTs (Feed in Tariffs) and ROCs (Renewable Obligation Certificates) the cost of money is a crucial aspect in determining the viability of CSO for communities. In some cases, bond investors may also be able to secure tax relief in the form of Community Investment Tax Relief (CITR) which is 25% over 5 years. If structured properly this can offer the investor a great rate of interest whilst keeping the cost of money affordable to the CBS.

Finally, one other major benefit of democratic finance models is they can be used to leverage in other investment. Community shares and community bonds provide evidence of strong local support for the enterprise- grant and loan funders therefore tend to look upon the CBS enterprise much more favourably. Community shares, community bonds, loans and grants can therefore be blended to provide the CBS with affordable and patient range of finance to undertake their activities.

These democratic finance opportunities for CSO opportunities are explored further below. In particular looking at the balance between setting share/bond offer interest rates at a level that can attract investment, but isn't so prohibitively expensive that it impacts upon the profitability of the proposal and therefore significantly reduces the long term revenue flows available to further community benefit.

5. What scale of finance is needed for offshore CSO? Realistically how much could a CBS raise?

For the purposes of this research DTA Scotland were provided with anonymised example models by SSE Renewables. This enabled DTA Scotland to understand the indicative level of finance required for a 1% community share revenue stake in a 1GW offshore wind farm development. It is noted the provision was for example only.

For clarity- it is our understanding that Community Benefit Funds would and should be offered in addition to and regardless of any potential CSO opportunity

Example Model- 1% community share revenue stake in a 1GW offshore wind farm development

Investment needed from the CBS:	£16 million
Finance sources for CBS:	Community Shares and Bonds £7m Projected rate of interest offered – 5%
	Other Debt Providers £7m (See Section 6) Projected rate of interest offered – 9%
	Grants and 'other' sources £2m – philanthropic giving for example
CBS debt and equity repayment	Community Shares Capital repayment: £3.5 million 5% annually paid interest from Yr 1: £1.8 million Repayment term: 20 years (15% share withdrawals from Yr 6) **Total repayment: £5.3 million**
	Community Bonds Capital repayment: £3.5 million 5% compound interest repayment: £5.8 million Repayment term: 20 years **Total repayment: £9.3 million**
	Other Debt Providers Capital repayment: £7 million 9% compound interest repayment: £32.2 million Repayment term: 20 years **Total repayment: £39.2 million**
Total Debt and Equity Repayment (Capital plus Interest)	Capital repayment: £14 million Total interest repayment: £39.8 million Repayment term: 20 years Total repayment (capital plus interest): £53.8 million
Surplus Community Revenue after debt/equity repayment	£5.1m paid out over 10 years starting in 2050 and ending in 2060.

Based on this model, it is clear that for a significant £16m investment, the expected community revenue (post debt and equity repayment) does not make for an attractive proposition for a CBS. **Importantly, the cost of money is a crucial component in determining the CBS appetite for such an investment.** There is an awareness that if there is a desire for communities to be involved in Shared Ownership of renewables, that there are a variety of ways in which the community sector could be assisted to make such a proposition more attractive.

1. The Scottish Community Coalition on Energy (SCCE) are proposing a National Community Wealth Fund that could make interest free or low interest loans.
2. With calls for a Community Energy Unit within GB Energy, interest free or very low interest loans should be made available for communities.
3. Another option for this Unit, might be to guarantee returns which would impact upon the cost of money.

Key considerations and further exploration

- Is £7m from community shares and community bonds feasible?

Raising £7 million using community shares and community bonds would be a significant ask with limited precedent. To date, the DTAS supported community share offers that have raised the most are:

- Music Venues Trust - £2m raised in 2023
- Glenwyvis Distillery - £3.6m raised over 2 campaigns
- Dundee Solar - £2.6 million raised in 2024

Marketing and incentives – The above democratic finance offers targeted both a community of geography and a community of interest. This would be relevant to the marketing of an offer for CSO – it would need to target individuals and organisations in the defined geographical area of benefit, but also those with an interest in renewable energy and community ownership models.

Clearly the incentives to invest would have to be attractive and very well marketed. Benefits would need to be both financial and social and focused on both the individual and the wider community. A substantial marketing budget would be required, alongside a carefully crafted campaign.

Match booster investment: At a UK level there are existing match investment models where these democratic finance raises can be boosted by strategic agencies investing in them on a 1:1 basis and on the same terms as individual investors. Thereby potentially doubling a democratic finance raise. In Scotland, two pilot booster investment funds have been created to allow communities to purchase income generating assets. This needs explored further with a focus on developing a match investment product specifically for community shared ownership.

- Is £7m at 9% from other debt providers feasible?

See Section 6 below. This is definitely feasible but needs further exploration.

- Is £5.1m over 10 years enough of a financial incentive to proceed?

The model would equate to £500,000 per year available to communities from 2040 – 2050. We have concerns that this scale of finance is not worth the development work needed. The fact that the investment is very long term and could be perceived as risky due to the current energy market could also be a disincentive. We need to push for much cheaper debt options for CSO – including exploring the feasibility of 0% financing models.

- What is the source of development funding?

These scenarios do not include any development funding – i.e. organising the community, legal and financial advice, feasibility, funding for staff. We are unclear whether the current Local Energy Scotland funded support through the CARES contract includes offshore CSO and whether the CARES support goes far enough to match the Scottish Government ambitions and targets for CSO.

6. What other funding options could complement democratic finance for offshore CSO?

Notwithstanding the benefits of democratic finance, there is still a recognition that the scale of investment required by a CBS to secure CSO will be significant and is unlikely to be secured purely via democratic finance models.

The recent Local Energy Scotland CSO Market Engagement report (https://localenergy.scot/resource/community-shared-ownership-market-engagement-report/) made the following observations with regards to the CSO funding landscape:

- *'The funding market for community groups in the UK is small and limited to bespoke funders. The recent withdrawal of the Scottish Government's Energy Investment Fund ("EIF"), which was historically an active funder in community shared ownership projects, has reduced the funding options available to communities. In some cases, the EIF team also took an active involvement in the structuring of projects, which provided extra support to communities.' (1.14, page 6)*
- *'There has not yet been a material interest from traditional banks, mainstream lenders or an EIF replacement to fill this gap. From discussions with larger lenders, it was clear that shared ownership projects have not previously met their funding appetite range but may do so on some of the larger scale projects in the pipeline' (1.15, page 6)*
- *'Funders stated that they required security over the community's rights to the shared ownership revenue/profit stream, likely over the shared revenue agreement and/or the community's company which holds the investment in the project. Debt funders would require the community's investment to have protections in place to ensure the community's investment was preserved or compensated under a sale, or termination, scenario of the project (e.g., if the developer/owner decided to sell its stake or terminate a revenue share agreement)'. (1.16, page 6)*
- *'The current market participants typically offer funding at a cost bespoke to the project and funding risk profile. This funding is typically at a cost above that of traditional bank lending which can limit the application to marginal projects where the community group return is lower, although this may partly reflect their ability to accept less security or contractual requirements and hence more risk in their loan offering. Furthermore, lack of competition in the market provides little incentive to offer lower cost rates.' (1.17, page 6)*

It is clear that the funding landscape and market for CSO is limited and needs significant development.

As such, there is a consortium of community intermediary organisations that are exploring capitalising a large National Community Wealth Fund potentially starting with a large endowment. This new legal structure might also secure significant investment from a wholesale bank, for example Better Society Capital (BSC)- a lender to organisations with sustainable purposes. The purpose of such a fund would be to provide grants and low interest loans to community organisations specifically for the acquisition of income generation assets like renewables (including CSO).

Work is also ongoing to determine what role mainstream or specialist social investment lenders could play. There are several financial institutions that might be interested in lending to CBS structures i.e. Triodos Bank (a fully regulated and authorised bank) with a very specific focus on lending to purpose driven organisations. Equally, Social Investment Scotland, specialising in providing lending to social and community enterprises, could act as match funder. The key barriers when considering mainstream or specialist funders in a shared ownership context are security requirements (particularly in a Shared Revenue model) and ensuring the finance offered is patient and affordable enough from the community perspective.

A model that could be explored is a partnership between a CBS and Local Authorities which could provide the scale of investment required. This model could include a CBS approach, perhaps using community shares/bonds to raise investment from across a LA area with the Council securing a matching investment from the Public Loan Book. It's an option that hasn't really been explored anywhere in Scotland.

The group is also engaging other potential investors such as SNIB and private investment houses so that communities can raise the necessary investment to avail CSO opportunities, be that on an individual basis or indeed via a consortium of CBSs.

We are also exploring whether there is a use for Community Benefit Funds in a CSO context. Either preexisting CBFs being used to invest through a community share or community bond offer – particularly in areas where communities are saturated with CBFs and they are looking for a more strategic use alongside local grant distribution. We would also welcome a conversation around the option to bring forward SSER offshore CBF payments in the form of an interest free loan. We would need to consider whether this this would be a welcome approach from the communities' point of view.

Finally, a more radical investment approach could be a reinsurance model, where investment is secured upfront, and premiums repaid over the next 20 years.

7. Governance considerations for a proposed CBS structure for offshore CSO

The CBS members:

We suggest that for the scale of investment needed, membership would be open to any person and any organisation in the UK. For organisations applying for membership, for example a Development Trust, the organisation would nominate a named-person to be their representative member.

Defined Area of Benefit

A CBS may define a specific geographical area of benefit- meaning only people and organisations residing in that area benefit from the Societies activities. This does not mean people outside this defined area cannot become members, but typically there would be a stipulation that the majority of members must reside in the defined area of benefit. This would work well for onshore CSO, however for offshore CSO the defined area of benefit is more ambiguous.

The CBS Directors

The standard CBS approach is for members to elect the Directors at each AGM. This is carried out on a democratic one member, one vote basis. There is also an option for Director cooption to attain specific expertise. Coopted Directors must stand down at the following AGM and they may put themselves forward for the standard Director election process.

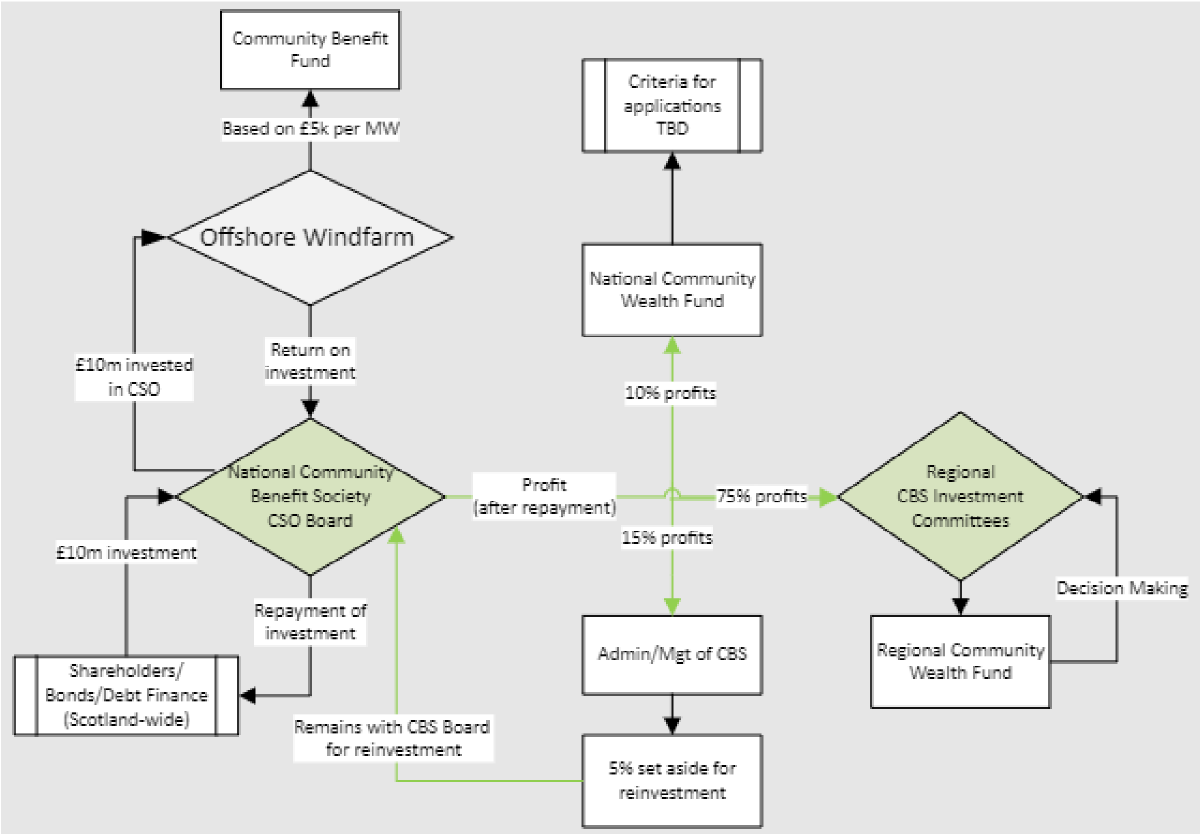
Occasionally if a Society's objects and purposes are focused on a specific area of work, it can reserve seats on the Management Committee for relevant key organisations. This is something that might be relevant in this context – for example member led network organisations that represent the community sector in Scotland such as DTAS, Community Land Scotland or Community Energy Scotland.

8. Eventual Community Fund Considerations

Funding distribution, criteria and decision-making processes

We anticipate that the revenue from any shared ownership agreement would be channeled into National and Regional Community Wealth Funds, held by the CBS. The approach will be flexible to ensure that the distribution of funds can meet the diverse needs of communities and achieve maximum benefit fairly across Scotland.

The following provides an example of potential fund governance arrangements:



Please note: % of profits across the different areas is negotiable and entered for example purposes only at this stage.

National CBS Board

Purpose: Overall management and admin of CBS
Board: As above. Elected from the membership i.e. shareholders with the ability to reserve seats for key stakeholders.
Responsibilities:

- Overall management and admin of CBS
- Raising the investment
- Repayment of investments and debt finance
- Distribution of profits to wealth funds
- Reinvestment of profits

Regional CBS investment committees -

Purpose: Managing a regional fund i.e. Argyll & Bute
Committee: min 3 national CBS board members plus co-opted representatives with expertise in grant making/community development (as required). Ability to invite others when necessary to manage any conflicts of interest.
Responsibilities:

- Managing the funds

- Setting priorities
- Receiving and appraising applications
- Reporting to the National CBS

National Community Wealth Fund- this is based on a separate proposal through the Scottish Community Coalition on Energy which allows for communities across Scotland to benefit.

9. Research into other international examples of CSO

Summary of Research

Across the EU there is a strong local energy cooperative movement with a long cultural history. These local cooperatives participate in small- and large-scale projects, both Community Shared Ownership and fully Community Owned.

In addition, access to competitive and mainstream finance is more readily available and legislative frameworks tend to be robust and favourable- both mandatory and good practice guidelines. When compared to the UK, stronger regulation of the energy markets in (most) EU countries, including the prevalence of public and municipal energy companies, also positively impacts on the number and success of CSO & CO projects.

See Appendix A for further detail.

10. What are the key risks for communities and investors?

RISK	POTENTIAL MITIGATION
The CBS cannot raise enough money through DF options	- In depth business and financial planning support through DTAS' Democratic Finance programme, ensuring a strong and robust case for investment and confidence in the opportunity - Funding and finance options are explored from private and public sources and targets set including contingency and risk registers - Marketing & campaigns; support provided to ensure widespread and targeted messaging across Scotland to attract investment
The CBS cannot attract appropriate match investment	- Lobbying and policy; working with policymakers and public and private investors and funders access to appropriate finance is opened up - As above, robust business and financial planning in place to attract appropriate match investment
The CBS governance model encounters issues around - Definition of community of benefit	- Openness and transparency; - Extensive community engagement and consultation - Stakeholders steering group

- Tension between investors and beneficiaries - Tension around fund distribution processes and decisions	- Embed democratic governance principles - Independent conflict resolution panel - Reporting; monitoring and evaluation regularly
Investment is too risky due to current volatility of energy market	- Spreading the financial risk across a broader range of investor communities. - Ensure best possible financial advice to allow organisations to make decisions based on their risk appetite. - Secure risk mitigation measures ie guarantee of returns from strategic agencies that want to make this happen (eg NLCF or ScotGov) - Allow other investors to take a larger return for a higher risk. Note- FCA rules indicate that warnings about loss of investment, the risks of investing as well as seeking independent financial advice must be clearly stated in any democratic finance offer prospectus.
The CSO investment proposal is too long term and communities don't engage	- Undertake extensive community engagement and consultation in advance of any investment proposal to gather feedback, manage concerns and increase awareness of the benefits

11. Next steps and outstanding actions

Through this phase of the research we have concluded that there is potential for the CBS structure and democratic finance models to be applied. This approach could be transformational, but it is also a leap for the current CBS models in Scotland. In particular it is clear that the funding landscape and market for CSO is limited and needs significant development. Cheaper debt options **must be made available** to make community shared ownership of offshore wind feasible and beneficial in the long term.

Recent developments that DTAS is involved in that will assist in next steps, include:

- Scottish Community Coalition on Energy; group of community-led networks that are investigating and lobbying for the necessary support for; 100% community owned energy, community shared ownership (DTAS lead), creation of a national community wealth fund and more transparent distribution of community benefits.
- National Strategy for Economic Transformation (Scottish Gov) Advisory Board; opportunity to influence policy and legislation on community and co-operative development, community benefits and finance.
- Match funding options; meetings to be progressed with SNIB, SIS, Triodos and other commercial financial operators

- Co-operative and Community Capital Committee focus on CSO investments – research into collective investments

Outstanding Actions

DTAS, incl members and wider community orgs – consultation and formation of a community shared ownership working group. Development of DTA Scotland's 'Community Anchor Mark' to support community anchors to demonstrate their value and ability to deliver projects and services that benefit their communities. Exploration of how DTAS' Democratic Finance Programme could support the further development of this work.

CBS sector – further research into collective investment schemes

Renewable developers – Clarity on developers' collective appetite and drive for community shared ownership of offshore wind. DTAS to approach Scottish Renewables.

Scottish Government – Clarity on policy, targets and guidance for community shared ownership of offshore wind.

UK Government- Clarity on policy, targets and guidance for community shared ownership of offshore wind. Including clarity on GB Energy's drive for shared ownership and potential provision of affordable finance for communities.

Community financiers- Bespoke, affordable and patient financing products must be created for the community shared ownership market.

APPENDIX A – International and other examples of CSO

EU-wide

Across northwestern Europe, experts estimate that more than 10,000 community energy associations exist, mostly in Germany, Denmark, Belgium, the Netherlands and Great Britain.

Under the new European Green Deal, the European Union has become a champion of community energy, with an EU directive stipulating that all member countries enact laws that make community energy not only possible but also profitable.

Community energy projects played a key role in launching Europe's renewable energy movement more than three decades ago, and the European Commission estimates that by 2030 citizen-run energy cooperatives could own 17 percent of installed wind capacity in the European Union and 21 percent of installed solar capacity.

The trend toward large-scale wind, solar and eventually green hydrogen projects — built by multi-national companies- is being accelerated by legal and policy changes in countries such as Germany and Denmark. As a result of these changes, fewer community renewable projects have gotten off the ground in the past several years.

To ensure that community energy continues to thrive, Europe's Green New Deal has established a goal of "active consumer participation, individually or through citizen energy communities, in all markets, either by generating, consuming, sharing or selling electricity." To this end, the EU says that residents and community energy co-ops should have equal access to the same incentives, financial supports and advanced technologies as corporations. The Green New Deal also says that the EU and its member states should help clean energy co-ops develop innovative financing schemes, that procedures for bidding on wind and solar projects should be simplified for co-ops, and that local community benefits should be considered when awarding bids for renewables projects.

In Denmark both CO & CSO has played a crucial role in embedding a 'pro-renewables' culture and policy regime. Since 2009, the Danish Renewable Energy Act has required at least 20% community ownership for all new wind projects. By 2016, 67 percent of onshore wind energy in Denmark was generated by citizen-owned parks.

CSO partnerships with local utilities have proven a successful Danish model for renewable energy cooperatives as they also facilitate grid connections for wind projects. However, recent legislation has reduced mandatory citizen shareholding in new wind farms.

At the well known Middelgrunden CSO project, private sector companies may take over the groundbreaking, community-owned offshore wind park once its 20-year contract expires this year. City officials say the costs of renovating or replacing the wind park's 20 turbines are simply too great for the co-op that brought it to life two decades ago as the world's first community-owned offshore wind park. Located just two miles off Copenhagen, the wind farm is half-owned by the 10,000 investors of the Middelgrunden Wind Turbine Cooperative and half by the municipal utility company.

In **Germany**, Bürgerenergie, or energy owned by citizens, is defined as:

- private individuals or farmers (jointly or individually) invest in energy facilities

- the investment is made with own capital, giving the actors a certain level of control over the project
- citizens own at least 50 percent of voting shares
- citizens have a connection to the region where the facility is operated

German citizens also participate in renewable ownership through interregional investments and minority shareholdings, cooperating with municipalities, public energy providers or public credit institutions.

Citizen energy projects in Germany took off dramatically when the EU broke up the private-sector energy system monopoly in 1998, and the German government set up a price-support scheme that favoured renewables in 2000. By 2018, 31.5% of Germany's total installed renewable energy capacity was owned by private individuals and another 10.5% by farmers, bringing citizens' energy ownership to 42%.

Much of Germany's renewables expansion in recent years was driven by citizens' onshore and offshore wind power projects. The switch to auctions for renewables projects, as part of the 2016 reform of the EEG (Germany's Renewable Energy Act), was expected to favour corporate projects and spell the end of citizens' energy, due to regulatory hurdles. However, the reform also introduced a definition of citizens' energy companies to provide these with special privileges in auctions for renewables projects, which helped citizen energy cooperatives to turn out as the "big winners" in the first auctions. In June 2018, the federal parliament decided to suspend these privileges, after lobbying from The German Wind Energy Association called for consistent rules for all bidders and even for exempting certain citizen-owned projects from mandatory auctions altogether.

Energy cooperatives frequently work with public credit institutions, such as Germany's savings banks (Sparkassen) or cooperative banks (Genossenschaftsbanken). These financial institutions often provide energy co-ops with loans (the money for these loans usually comes from Germany's state development banks). They may also help to attract new members by offering share certificates to their customers, participate in marketing, or give advice on infrastructure, building or insuring a renewable installation.

In **The Netherlands** there has been discussion and lobbying from local community cooperatives for a mandatory minimum CSO stake in projects. However, this was not included in the June 2019 national Climate Agreement, following successful opposition lobbying from Developers, resulting in a non-mandatory 'aim' for CSO and dialogue between cooperative groups and Developers.

The Climate Agreement stipulates that there must be "a balanced distribution of ownership in an area (so not per project), with the aim of 50% local ownership of the production within the local area by citizens and companies" This is called 'lokale eigendom'. The target date for realising this 50% aim is 2030 and there is room locally to deviate from this, for local project-related reasons.

This is driven by a national 'Project Participation' process, with a wealth of resources, tools, templates and support available for all actors/stakeholders through the various project phases, including financing.

For example, there exists a binding Code of Conduct for Wind on Land, specifically providing project developers tools and process for involving the community in wind projects at the earliest possible stage. Also, the AFM (Dutch FCA) has produced model rules for co-ownership and financial participation, that participating parties must adhere to.