



# Policy recommendations for the United Kingdom to support the role of **energy communities** in tackling **energy poverty** and a just transition

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## Introduction

Within the context of the election of a new government in the UK and its bold plans for [Great British Energy](#), this is an exciting time to be working on energy communities, the just energy transition and energy poverty.

Despite the UK's historical wealth, vast inequalities and high fuel poverty<sup>1</sup> rates, caused by inadequate housing, high energy prices, low incomes and a lack of democratic participation in the energy system, undermine people's ability to accept and implement the necessary changes for a sustainable future. To achieve a timely and equitable transition, policymakers must create conditions in which people feel empowered to co-own and co-design this future.

Energy communities offer a unique transformative potential by promoting collective empowerment, governance, and ownership over renewable energy assets and services. They create stronger, more resilient, and sustainable communities where the benefits and opportunities of the energy transition are equally accessible to all. Community energy initiatives challenge our assumptions about energy by encouraging active participation in climate and energy decision-making, from daily individual choices to high-level collective efforts. Successful community energy projects can engage people as both consumers and active participants in the energy transition, fostering a sense of ownership, community and purpose.

Community energy efforts have shown significant impact, delivering substantial social benefits and savings on energy bills. For instance, the [2024 Community State of the Sector Report](#) highlighted £4.4 million saved on energy bills from efficiency and fuel poverty initiatives in 2023, a 53% increase since 2020. On average, community energy projects deliver £9 of social benefit for every £1 spent.<sup>2</sup> To support the development and inclusivity of energy communities, public authorities should adapt policies in accordance with the specific characteristics of energy communities and create incentivising conditions for energy communities to act on energy poverty. Immediate implementation and expansion of measures pledged in the new Government's Local Power Plan will be crucial for maximising the social impact and inclusivity of energy communities, particularly for vulnerable groups.

The [CEES project \('Community Energy for Energy Solidarity'\)](#) investigated, evaluated and explored energy communities' solidarity initiatives to increase the impact of community

<sup>1</sup> Fuel/energy poverty, defined within the CEES project as the situation in which households are unable to access affordable energy services (such as adequate warmth, cooling, lighting, and energy to power appliances), which underpin elements of human flourishing (such as health and wellbeing, relationships, social inclusion, employment, recreation and education). Day, R. et al (2016) Conceptualising energy use and energy poverty using a capabilities framework, *Energy Policy*, 93: 255–264.

<sup>2</sup> [Community Energy State of the Sector Report 2022](#).



energy schemes on households experiencing energy poverty or vulnerability. We have identified opportunities and barriers to strengthen energy communities' potential as a vehicle for a just transition. This led to the following policy recommendations, which will be elaborated further on in this paper:

- **Increase accessibility of community energy by expanding the availability of affordable finance for energy communities and for households in a situation of vulnerability to participate in energy communities;**
- **Create conceptual clarity around community energy, ideally with consistent definitions across the devolved administrations;**
- **Implement broad energy system reforms that empower everyone to use and benefit from locally generated electricity;**
- **Delivery of all government fuel poverty reduction, energy innovation, and energy efficiency schemes should provide opportunities for community energy organisations, or other local non profit bodies, to participate;**
- **Increase awareness of community energy, and its benefits, through targeted engagement and communication campaigns.**
- **Avoid short-sighted solutions to fuel poverty; only structural, long-term measures can guarantee a timely and just energy transition.**

## Current state of affairs

Today, extensive parts of the UK energy system are devolved, including energy poverty and important elements impacting community energy development. This means different definitions, targets and strategies for fuel poverty and community energy exist across the UK's nations.

### Fuel/energy poverty in the UK

With regards to fuel poverty, the UK nations have put in place several programmes, regulations and measures to address the issue and protect people in vulnerable situations. Important to mention are Scotland's [\*Fuel Poverty \(Targets, Definition and Strategy\) \(Scotland\) Act 2019\*](#) and England's [\*Warm Homes and Energy Conservation Act 2000\*](#) and [\*2021 Fuel Poverty Strategy "Sustainable Warmth: Protecting Vulnerable Households in England"\*](#). Measures implemented for Great Britain as a whole include the *Energy Company Obligation*, *Warm Home Discount*, *Winter Fuel Payment*, *the Energy Price Guarantee*, *Energy Bills Support Scheme* and *Alternative Fuel Payment*.<sup>3</sup>

<sup>3</sup> [Office For National Statistics. How Fuel Poverty is Measured in the UK: March 2023.](#)



Despite efforts to define, measure and establish clear targets to tackle the issue, fuel poverty rates across the UK remain high and are even expected to rise.<sup>4</sup> The Scottish government's latest available Scottish House Condition Survey statistics (2019) showed 25% of Scottish households are considered fuel poor. In a recent modelling exercise it is estimated that this number will have increased to 34% (840.000 households), of which 23% (570.000 households) in extreme fuel poverty in January-March 2024.<sup>5</sup> Charities warn that these numbers might be a severe underestimate and do not reflect the actual severity and extent of the issue.<sup>6</sup> Numbers for England under the Low Income Low Energy Efficiency (LILEE) metric (combining key drivers such as energy efficiency, incomes, housing costs and energy prices) remain stable at around 13% (3.17 million households) from 2022 to 2023, and are expected to decrease in 2024.<sup>7</sup>

Fuel poverty is exacerbated by poorly insulated housing stock, bad weather, low incomes and high energy prices. High energy prices are particularly an issue in rural areas where there is usually no access to mains gas. The price of electricity per kWh in the UK is 3-4 times higher than a kWh of mains gas.<sup>8</sup> Many rural households are therefore heated using standard electric heaters or electric storage heaters, making the heating unaffordable in many cases.

While cost-of-living payments for households on means-tested benefits ended in April 2024, the energy price crisis continues to impact many British families, leaving them with substantial debt. Recent YouGov polling revealed that 34% of UK adults struggled to afford their energy bills in the past three months, and 59% reported lowering their thermostat more than desired to save on costs.<sup>9</sup> Research from National Energy Action indicates that 6 million UK households will be in fuel poverty from 1 April, highlighting the severity of the crisis.<sup>10</sup>

Legal targets such as England's *2021 Sustainable Warmth Strategy* and Scotland's [2021 Tackling fuel poverty in Scotland: a Strategic Approach](#) demonstrate important commitments, yet currently fall short in active implementation. The new government's plan

<sup>4</sup> Each UK nation has a distinct way of defining and measuring fuel poverty. Fuel poverty rates, as presented here, are thus hard to compare across nations.

<sup>5</sup> [Scottish Government. The Cost of Living \(Tenant Protection\) \(Scotland\) Act 2022: report - 1 October to 31 December 2023.](#)

<sup>6</sup> [Department for Energy Security & Net Zero \(15 February 2024\). Annual Fuel Poverty Statistics in England, 2024 \(2023 data\).](#)

<sup>7</sup> [Department for Energy Security & Net Zero \(15 February 2024\). Annual Fuel Poverty Statistics in England, 2024 \(2023 data\).](#)

<sup>8</sup> [Ofgem \(1 April 2024\). New energy price cap level April to June 2024 starts today.](#)

<sup>9</sup> [National Energy Action. Warm, Safe and Healthy at Home. 2024 Manifesto.](#)

<sup>10</sup> [National Energy Action \(23 February 2024\). Despite energy bills falling, 6 million UK households to remain trapped in fuel poverty come April.](#)



for Great British Energy aims to tackle fuel poverty through its Warm Homes retrofit scheme and energy market reform and could be a game changer if implemented early and effectively.

## Community energy in the UK

In 2014 the first UK Community Energy Strategy was published, establishing general criteria for assessing a community project and recognising their potential to help maintain energy security, tackle climate change and alleviate energy poverty. Subsequently, community energy was mentioned in the 2020 Energy White Paper and the 2021 Net Zero Strategy. However, concrete measures to turn words and ambitions into real action and results, remain missing. While the sector is becoming more diverse, COVID-19, the energy price crisis and diminishing support mechanisms have weighed heavily on its overall potential to play an important role in the transition towards a just and sustainable energy future.

In England, the closing of the Feed in Tariffs (2010-2019), the Rural Community Energy Fund (2019-2022) and the Urban Community Energy Fund (2014-2016) meant a major drawback for the community energy sector. “Since 2015, virtually every policy change has made it more difficult for the sector to achieve its potential and facilitate local benefits” states the latest [Community Energy State of the Sector report 2022](#). On 11 August 2023 the Sunak Conservative Government launched a new £10 million Community Energy Fund, partially addressing the funding gap. However, the sector remains challenged by outdated regulations and disproportionate costs. At present, there is no level playing field for communities to participate in the energy market on an equal footing with other, more competitive, for profit market actors. This garners unfavourable conditions to develop activities geared towards strengthening the social impact of community energy initiatives towards more vulnerable groups, which often requires additional and specific resources, skills and support schemes.

For Scotland, community energy has played a big role in positioning the nation as a climate action leader. It has long established supportive frameworks for energy communities, such as the [Community and Renewable Energy Scheme \(CARES\)](#). In January 2023, the Scottish Government published its [Draft Energy Strategy and Just Transition Plan](#). It outlines key ambitions for a just energy transition, including commitments to empower communities to participate in the energy transition, to share the costs and benefits of the transition more equally, and to prioritise access to affordable energy for those in or at risk of fuel poverty. It is not specified how this will be achieved. Community Energy Scotland stresses that further efforts are needed to ensure that community energy, and its associated benefits, become accessible for people from all walks of life: “The strategy, vision and other sections pertaining to communities should make broader recognition of the contribution and key role



communities can have in co-achieving Scottish Government targets, particularly on behaviour change and tackling local poverty/inequality”.<sup>11</sup>

While the UK’s community energy sector has experienced a fair share of challenges in recent years, the new Government’s [Local Power Plan](#), pledging £400m a year in low-interest loans for community-owned projects and £600m in grants for local authorities, could mean a long-awaited boost for community energy development.

## CEES project outcomes

In CEES, six energy communities - including two in the UK, [Repowering London](#) and [Allenergy](#) - implemented six pilot projects to alleviate energy poverty. The evaluation of the six pilots, undertaken by University of Birmingham, shows that energy communities can alleviate energy poverty (increasing households’ ability to pay their energy bill, reducing the negative impacts of energy poverty and building energy know-how). Central to this success were: the CEES funding (and some of the energy communities were able to use this funding to support work to secure further funding); significant knowledge sharing among the six energy communities; values of care, understanding and patience towards households; and good project planning supported by flexibility.

Key barriers identified by our UK partners include insufficient public financial support, local supply restrictions for small-scale energy projects, and a lack of recognition for the social impact of their efforts and their work in combating fuel poverty.

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<sup>11</sup> [Community Energy Scotland \(9 May 2023\). Community Energy Scotland - Consultation response to Draft Energy Strategy & Just Transition Plan](#)



## Policy recommendations

The sustained energy vulnerability of many UK households has prevented them from actively participating in and benefiting from the energy transition—such as joining community energy projects—while they continue to bear a disproportionate share of the costs. It is therefore imperative for UK governments to re-evaluate and reimagine current approaches to eliminate fuel poverty.

Based on the assessment of the UK legal frameworks on energy communities and fuel poverty and on experiences and learnings from CEES partners and the project we have formulated these recommendations for the UK:

 **Increase accessibility of community energy by expanding the availability of affordable finance for energy communities and for households in a situation of vulnerability to participate in energy communities**

We welcome the Labour Governments' 'Local Power Plan' to significantly strengthen support for community energy projects - with planned investments of up to £400m in low-interest loans annually for communities. To maximise the positive social impacts of the Local Power Plan, and ensure equitable accessibility of community energy benefits, ownership and decision-making, a proportion of those investments should be earmarked for the development of community energy projects in areas within the lowest 20% of the English, Scottish, Welsh and Northern Irish Indices of Multiple Deprivation and rural areas. Especially for those areas, public support is of key importance, as alternative funding pathways, such as self-financing through share offers are often not viable options.

Additionally, the planned annual investments to increase the share of locally produced energy, should be accompanied by innovative funding mechanisms that lower entry barriers for low-income households to participate in (existing) energy communities. This could be done by subsidising or pre-financing energy cooperative shares for households experiencing a situation of fuel poverty.

Crucially, to ensure successful uptake of such newly available financing opportunities, additional efforts are needed to create clarity around application procedures. Processes should be transparent, easily understandable and accompanied with guidance on their implementation. Such efforts should take into account common characteristics and challenges - for example, only 30% of British energy communities employ paid staff - with most organisations relying on volunteers - limiting their capacity to deal with complex grant proposals and application procedures. For example, the most recent Community Energy State of the Sector report mentions that, despite the importance of the Scottish





Government's CARES programme for the sector, 25% of Scottish groups stated a lack of capacity to act on this support.

 **Create conceptual clarity around community energy, ideally with consistent definitions across the devolved administrations.**

As the availability of support mechanisms for energy communities grows, there will likely be increased attempts by large commercial companies to capture some of it. To prevent this, it should be clear what constitutes an “energy community”, ideally with consistent definitions and principles across the devolved administrations, and clearly distinguishing it from concepts like “shared ownership with private sector projects” as mentioned in Labour’s Local Power Plan.

At the very least, initiatives that want to access public support towards energy communities should meet certain conditions and requirements. Such support should only be targeted towards initiatives that are citizen-led, community-owned, open and voluntary and whose main purpose is to deliver social and environmental benefits, not profit. Indeed as Community Energy England states: “Key questions to ask when considering community energy include, who’s in control, who benefits from surpluses generated and how participative is project delivery?”<sup>12</sup>

While acknowledging that establishing an absolute definition for such a diverse and multidimensional sector will be difficult, creating conceptual clarity is key to ensure effective targeting and support and safeguarding public trust in the sector, especially among groups who have been repeatedly disadvantaged and disappointed in the energy system before. Such values and principles should be easily communicable and identifiable for households.

Importantly, such assessments should be done through close collaboration and consultation with key stakeholders in the sector. Top-down steering of a movement whose strength lies in its bottom-up identity should be avoided.

 **Implement broad energy system reforms that empower everyone to use and benefit from locally generated electricity**

In general, public financial support should, as a priority, be steered towards initiatives that can generate the broadest possible positive impact for communities, away from generating profit for the few. However, beyond financial support mechanisms, broader energy system reforms should be implemented.

<sup>12</sup> [Community Energy England \(April 2014\). What is Community Energy & Why Does it Matter?](#)





At present, energy communities are not able to directly supply electricity to households due to local supply restrictions. Instead, they have to sell it to big companies for a fraction of the price.<sup>13</sup> This is an important barrier for smaller-scale renewable energy schemes to develop viable business models and directly pass on benefits to households. The example of Belgian energy cooperative Ecopower showcases the potential benefits for vulnerable households: whereas commercial suppliers charge the market price plus a profit margin, Ecopower offers electricity at cost (passing on real production and operating costs, without making a profit or loss). This offered a buffer against market volatility and skyrocketing energy prices for its clients during the energy price crisis, while simultaneously keeping wealth within the local community. Examples in the UK include the ['Energy Local' model](#) which has already been piloted across rural and urban areas in England and Wales.

At-cost, local, clean electricity should be accessible for all. To this end, regulatory barriers should be removed. Energy communities should be offered simplified administrative processes, priority access to the grid and reduced or socialised connection costs. They should also be supported in helping to balance the grid, including through subsidies for storage projects, demand response, and energy saving projects. The campaign for [right of local supply](#)'s Local Electricity Bill is readily available to be turned into law.



**Delivery of all government fuel poverty reduction, energy innovation, and energy efficiency schemes should provide opportunities for community energy organisations, or other local non profit bodies, to participate.**

The new Government's plans to support energy communities focus on increasing installed capacity owned and operated by communities, but to leverage the full potential of energy communities as vehicles for a just transition, support must extend beyond renewable energy production. Energy communities are active across an extensive range of activities and offer a broad diversity of services to households, communities, businesses and municipalities. This includes energy efficiency and savings programmes, demand response, capacity building and education, retrofitting and energy poverty alleviation. Their unique position, as not-for-profit, community-led actors should be recognised and leveraged in key government strategies towards a just energy transition. To succeed, Labour's plan must enable community energy leadership in retrofitting, energy advice, and fuel poverty alleviation, by offering dedicated funding and expert support and guidance at the local level, as well as more meaningful opportunities for cooperation with local authorities and other stakeholders.<sup>14</sup> The [Local Energy Advice Demonstrator competition](#) is a positive example, incentivising local authorities and community energy groups to collaborate on innovative,

<sup>13</sup> [Power for People. Local Electricity Bill.](#)

<sup>14</sup> [Community Energy State of the Sector Report 2022.](#)




impactful projects. At the moment, it is unclear whether Labour's plans foresee additional support for community initiatives to participate in such schemes. If the Social Housing Decarbonisation Fund is continued, there is the potential to incorporate best practice in the participation of energy communities in the delivery of retrofit projects by social housing providers. Referral fees for energy communities could also be incorporated into the Energy Company Obligation and Boiler Upgrade Scheme.

 **Increase awareness of community energy, and its benefits, through targeted engagement and communication campaigns**

Ultimately, the success of the energy transition hinges on the economic, societal and political changes we are collectively willing and able to undertake. In turn, people's acceptance and willingness to change depend on their perception of the fairness of these changes, the choices they are able to make and their trust in those implementing the policies.<sup>15</sup> Ignoring such principles can lead to disengagement, resistance, and distrust in the political system, undermining the legitimacy of governance and jeopardising a timely and just transition as a whole.

We reinforce that democratic participation in policy design and transparency in transition measures are crucial to mitigating these issues. To ensure meaningful participation, especially for disadvantaged groups, it is essential to increase awareness of community energy, and its benefits, through targeted engagement and communication campaigns and to remove barriers preventing vulnerable households from choosing to join or set up an energy community.

 **Avoid short-sighted solutions to fuel poverty; only structural, long-term measures can guarantee a timely and just energy transition.**

While it's important to recognise the potential role that energy communities can play in advancing general interest objectives, it is beyond their reach and responsibility to solve social justice issues. As emphasised by [Energy Action Scotland's](#) and [National Energy Action's](#) 2024 Manifestos, big and bold actions are needed from decision makers to structurally tackle social injustices across the UK. We welcome the new Government's strong commitments to tackle the cost of living crisis with its energy strategy, combining targets that minimise a trade-off between social and climate policies by focusing on fuel poverty alleviation through electrification, energy efficiency and retrofitting, instead of short-sighted quick-fix solutions such as cheap gas boilers.

<sup>15</sup> [Grantham Research Institute on Climate Change and the Environment \(7 May 2024\). How will climate policy impact British public and what factors underpin support for climate action?](#)





*This policy briefing, created through the collaboration of 10 European organisations under the EU Horizon 2020 program, underscores the importance of cross-border knowledge sharing to support successful practices for a just and sustainable future. The new Government must ensure that these exchanges continue to inspire both technical and social innovation projects, such as through the European LIFE program.*



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