

Community and Renewable Energy Scheme Project Development Toolkit Sources of Finance



Sources of Finance

This module has been developed for Local Energy Scotland to provide support to community groups looking to invest in a renewable project that is being developed by a commercial developer. The module outlines a number of different sources of finance to consider when making an investment decision and where to obtain further information when considering the investment.

It is part of the **CARES Project Development Toolkit** and in addition to this module, there are other relevant guidance documents and tools available that should be reviewed in conjunction:

- **Project Finance Module** – this module provides an overview of renewable project finance, the terms that are used and how to determine the financial viability of a project;
- **Community Investment Module** – this module provides support to community groups looking to invest in a renewable project that is being developed by a commercial developer. The module outlines the different factors that need to be considered when making an investment decision and how to obtain the relevant support when making these investment decisions; and
- **Finance Glossary** – a summary of the finance terms used in renewable projects.

This paper includes information on a number of different sources of finance that can be used to fund various stages of a community group's involvement in a renewable energy project. The stages discussed are:

Development of a renewable project

The development of a community owned renewable project can incur substantial costs. Grants and loans are available to fund this development.

Construction of a renewable project

Under state aid rules, there are limits to the amount of grant funding that is available for construction of a public renewable project that will allow the project to also benefit from additional support mechanisms such as the Feed in Tariff and Renewable Obligation. As such, construction of a public renewable energy project is generally funded through loan finance.

Investment by a community in a commercially developed renewable project

Finance options available to a community group looking to invest in a commercially developed renewable project will be dependent on the sources of finance used by the developer. The table below provides an indication of a number of sources available to community groups in general, but those that will apply will be specific to each project.

The following table presents a range of different sources of finance and highlights which stage of your project they would be appropriate to finance. This list is not exhaustive, and there will be other sources of finance available beyond those mentioned here.

Name	Description	Link	Develop ment	Construc tion	Invest ment
CARES Start Up Grant	CARES provides start-up grant funding to community groups, third sector organisations and cooperatives to help towards the costs of feasibility studies, community consultation and other preparatory costs. Up to £10,000 is available for community groups to fund non-capital aspects of a project. An enhanced start up grant of £20,000 is available for community groups that are investigating Joint Venture opportunities	CARES Start Up Grant	X		
Community Seedcorn Fund	The Forestry Commission Scotland (FCS) Community Seedcorn Fund aims to supports community groups and organisations that are encouraging and facilitating greater use of woods by people to derive health, well-being and community benefits	FCS Community Seedcorn Fund	X		
Private Grant Funding (e.g. Community Benefit Funding)	According to the Scottish Government Register of community benefits paid by Scottish wind farm operators have topped £5m per year. It may be worth investigating your local wind farm to see if you project is eligible for funding. It is worth noting that unlike public (state funding), private grant finance does not conflict your project's eligibility for Feed in Tariff payments. Community group projects may be eligible for funding through Community Benefit Funding from a local wind farm. According to the Scottish Government Register, community benefits paid by Scottish wind farm operators have topped £5m. It is worth noting that unlike public (state funding), private grant finance does not conflict your project's eligibility for Feed in Tariff payments	Community Benefit Register	X	X	X
Pioneer Share Offers	Early stage share offers with a higher return may be offered to finance early stages of a project where risks are higher. Pioneer Share Offers are early stage share offers where a higher return may be offered to finance the high risk early stages of a project	Pioneer Share Offers	X		
CARES Loan	The CARES pre-planning loan provides support to community applicants developing renewable energy generation scheme on land they own or could lease from a land owner. The maximum loan per entity is £150,000. Applicants must contribute a minimum of 5% Case study: Callander Community Hydro	CARES Pre-planning loan	X		

Name	Description	Link	Develop ment	Construc tion	Invest ment
Start & Grow and Making Enterprise Happen	Start & Grow and Making Enterprise Happen offer mixed grant and loan packages up to £500,000. Start & Grow can provide unsecured investment up to £60,000, 1/3 grant and 2/3 loan. Making Enterprise Happen can make investments up to £500,000, with at least 50% of all investments being repayable. All investments for the purchase or redevelopment of an asset will require to be secured. Scheme operates in 13 local authorities (Clackmannanshire, Dundee City, East Ayrshire, City of Edinburgh, Fife, Glasgow City, Inverclyde, North Lanarkshire, North Ayrshire, Renfrewshire, South Lanarkshire, West Dunbartonshire, and West Lothian)	Start & Grow and Making Enterprise Happen	X		
Pure Leapfrog	Pure Leapfrog provides finance for community-led projects across the UK to help fund the capital costs of installing renewable energy technologies and energy efficiency measures	Pure Leapfrog		X	X
Communities for renewables (CfR)	Case study: Brighton Solar Energy CO-OP CfR is a social enterprise that helps proactive communities harness the value of their renewable energy resources, and retain that value within the local economy. CfR has funds to provide pre-planning risk investment for suitable community energy generation projects. CfR recovers this investment through contingent fees that are only charged where projects are successful	Communities for renewables	X	X	
Thrive Renewables	Thrive Renewables focuses on low financial risk projects that use proven technologies and operate on long-term contracts. Projects must have minimal impact on communities and the environment through careful planning. ThriveRenewables also supports community involvement Case Study: Udny Community Wind Turbine Case study: Barra & Vatersay	Thrive Renewables		X	

Name	Description	Link	Develop ment	Construc tion	Invest ment
The Co-operative Bank	Although not currently active in the market it is worth mentioning the Co-operative group as they have supported a large number of community energy developments Case study: Tiree Renewable Energy Limited Case Study: Rousay, Egilsay and Wyre Development Trust	The Co-operative Bank		X	
Santander	Santander have supported a number of renewable energy projects in the UK (and are looking at the implications of investing in community scale projects)	Santander Renewables		X	
Scottish Investment Bank	The Renewable Energy Investment Fund (REIF) can be applied for by community renewable energy projects that have successfully gained planning permission. REIF is delivered by the Scottish Investment Bank, on behalf of the Scottish Government, and is designed to build on the early stage support provided through the CARES programme. REIF offers a flexible lending service that can be tailored to individual community projects that have advanced to the delivery stage, but still have challenging funding gaps. The majority of the investment opportunities are expected to arise from community-led renewables projects, but REIF can also consider larger and more bespoke deals involving the funding of community investments into projects led by private developers or utilities. Further details on the eligibility criteria for REIF funding can be accessed from the Scottish Enterprise website (see link). Local Energy Scotland can guide communities through the REIF application procedures, providing advice and support for you to develop your project to a stage that is application ready	REIF Fund			X
Social Investment Scotland	Social Investment Scotland (SIS) is a registered charity and social enterprise that provides business loans to third-sector organisations. SIS aims to support the creation and growth of charities, community organisations and social enterprises that have the capability to make sustainable social impacts	Social Investment Scotland			X

Name	Description	Link	Develop ment	Construc tion	Invest ment
The Charity Bank	The Charity Bank provides loans to social enterprises and other community organisations that benefit people and their wider communities Case study: Settle Hydro, Yorkshire	The Charity Bank		X	
Big Issue Invest	Big Issue Invest is one of the UK's leading providers of finance to social enterprises, charities and businesses that are socially-driven. Big Issue invest were one of the co-investors in the winning Finance/Investment Deal of the Year category at the awards. The £15m joint venture between Neilston Development Trust and Carbon Free Developments Ltd, led by Social Investment Scotland, financed the construction of the first wind-farm in Scotland to be developed by a partnership between the community and a commercial company Case Study: Neilston Development Trust	Big Issue Invest		X	
CAF Venturesome	Charities Aid Foundations (CAF) Venturesome provided co-finance for the Neilston Development Trust community- commercial partnership project	CAF Venturesome		X	
Communities Offering Communities in Other Areas (COCOA)	The Scottish Government is keen that all communities in Scotland are able to benefit from renewable energy resources irrespective of their location. Scottish communities who are unable to develop their own resource (i.e. in urban areas or areas with limited development resource) may be able to access finance through to participate in renewable energy schemes out with their immediate vicinity, and invest in other community based projects. A community group may have existing relationships with a community who would be interested in providing equity for a project in return for a share of the profits	Local Energy Scotland		X	
Abundance Generation	Abundance acts as an intermediary between energy projects and investors. Their role is to structure the debentures for the energy projects that issue them, and then to market and distribute them to customers	Abundance Generation			X
Trillion Fund	Trillion offers a portal to investments in renewable energy projects	Trillion Fund			X

Name	Description	Link	Development	Construction	Investment
Microgenius	Community shares platform helping to find opportunities to invest in community-based renewable energy projects	Microgenius		X	X
Housing associations or other third sector organisations	Housing associations or other third sector organisations may also be interested in providing equity finance for a project			X	
Big Society Capital (BSC)	Big Society Capital aims to have a transformative impact on the social investment market in the UK by supporting social investment finance intermediaries to become financially robust and able to attract greater and more diverse sources of investment; effectively and efficiently channel appropriate and affordable capital to the social sector; and provide effective financial and business support services to the social sector	Big Society Capital		X	X
Business Loans Scotland	Is a unique consortium based on the previous West of Scotland Loan Fund (WSLF), the East of Scotland Investment Fund (ESIF) and the South of Scotland Loan Scheme, working together to provide loan finance to new and existing small to medium sized enterprises.	Business Loans Scotland		X	
Barclays	Barclays supports 'Cleantech' investments, which represents the research, production and delivery of clean energy	Barclay's Cleantech		X	X
Allied Irish Bank (GB)	AIB Corporate Banking Ireland has announced the launch of a new €350 million AIB Sustainable Energy Fund for companies operating in the energy sector. Project based or refinancing renewable energy projects	Allied Irish Bank		X	X
Clydesdale Bank	Designed to help launch, run or grow business	Clydesdale Bank		X	X
Lloyds Banking Group	Case study: Eco Sustainable Solutions Lloyds Banking Group seek to create value as a preferred partner and trusted specialist in the development and management of renewable energy assets and businesses	Lloyds Banking Group		X	X
Co-operative Loan Fund	The Co-operative Loan Fund is entirely funded and run by co-ops, and concentrates on supporting democratically owned and controlled enterprises	Co-operative Loan Fund		X	X

Name	Description	Link	Develop ment	Construc tion	Invest ment
Ignite Social Enterprise – The Big Energy Idea	The Big Energy Idea supports ambitious energy entrepreneurs, giving them business support, connections and the potential to secure a minimum of £50k investment from Ignite and Wayra to deliver social impact at scale	Ignite Social Enterprise		X	X
Deutsche Bank	The Deutsche Bankworks with over 15 local delivery partners to invest resources with the aim of making a positive community impact	Deutsche Bank			X
Esmée Fairburn	The Esmée Fairbairn Foundation aims to improve the quality of life throughout the UK	Esmee Fairburn		X	X
Co-operative & Community Finance	Co-operative & Community Finance are keen to support co-operatives, community businesses and social enterprises involved in renewable energy	Co-operative & Community Finance		X	X
Ecology Building Society	Ecology Building Society support a wide range of organisations through commercial mortgages	Ecology Building Society		X	
Unity Trust Bank	Unity Trust Bank are a specialist bank for civil society, social enterprises, CICs, councils, and trade unions, and support their customers with socially-responsible banking services	Unity Trust Bank		X	X

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