



## **Mobilizing Community Capital to Fight Climate Change and Begin the Clean Energy Transition**

### **Community Energy - An Unrecognized Source of Capital**

The historic Paris Climate Change Agreement signed in December 2015 sets a target for a carbon neutral world by 2050. To meet this target, Canada's Minister of Environment and Climate Change, Catherine McKenna has called for massive investment in clean energy by government and the private sector.

Investment by ordinary citizens through co-operatives, investment funds, aboriginal ownership, and other forms of community ownership has been shown to be another potentially huge source of capital for clean energy projects in Europe, Ontario, and Nova Scotia. This experience has shown that, given complete information on benefits and risks, including RRSP/TFSA eligibility, there is a huge untapped potential for people to move their savings from conventional to local community investment alternatives.

Community energy involves democratic ownership of clean energy facilities by local residents, businesses and public institutions. Because renewable energy and efficiency technologies are easily scalable, they offer excellent local investment opportunities.

Other benefits include tangible socio-economic impacts such as:

- generation of new revenue streams for municipalities (taxes) and community shareholders (dividends)
- creation of secure local jobs and workplace democracy,
- resiliency in times of broader economic uncertainty,
- direct involvement of citizens in wealth creation,
- new skills, and training for civil society.

Community-based projects also inspire a new kind of social entrepreneurship, building a strong social licence for clean technologies. They empower local citizens, especially indigenous peoples, to support their community through re-investing clean energy project returns into local infrastructure, health, and education. Finally, it builds a base of voter support for climate change action, among citizens who have put their own money to work in the effort.

## **Community Energy has a Foothold in Canada**

In Ontario, 800 MW of new renewable power capacity is owned by aboriginal communities, while renewable energy co-ops have an ownership stake in 175 MW - 75 MW of which is majority owned.

As of June 2015, \$26.8 million has been raised in capital securities - \$15.4M in shares and \$11.4M in bonds and continues to grow. In Nova Scotia 200 MW of new renewable power is community owned through community investment funds.

## **Unlocking More Community Capital for Investment in Clean Energy**

While community energy investment in Canada has so far only involved electric power projects under special community power tariffs and contract priorities, the equity ownership and democratic governance structures of renewable energy co-ops and other community energy models can be used to leverage community capital into all types of distributed clean energy options, including thermal systems, biogas, energy storage, and energy efficiency.

These community energy models could be employed all across Canada to drive new investment to fight climate change – unlocking local capital to invest in clean energy. Every province and territory has co-op legislation and many provinces are setting major clean energy targets – Alberta being a prime example. Alberta also has examples of the equity co-op model being used to finance community economic development through the Unleashing Local Capital and Opportunity Development Co-op initiatives.

## **What's Needed?**

There are still several barriers that are holding back community ownership of clean energy.

- There are differences in co-op structure and regulations among provinces and territories, and renewable energy co-ops are not recognized nationally as full status registered co-ops.
- Investor confidence in community energy needs to be strengthened and debt financing made more available.
- There is significant gap in training and capacity building resources on community energy and few ways to track and share experiences across the country so that projects can be scaled and replicated.

Renewed interest and government support for clean energy, local economic development, and infrastructure renewal offer a window of opportunity to support community energy. We believe that with a few strategic policies, community capital could become a major contributor to the much needed rapid investment in clean energy, and a key component of the new Canadian Climate Change Plan currently being worked on by all levels of government.

Giving Canadians the opportunity to participate in and benefit from the new green economy through community investment will also build stakeholder support for the new climate change plan.

### **Key Policy Initiatives to Support Community Energy**

Renewable Energy Co-ops and other forms of community ownership of clean energy can play a major role in addressing climate change by:

- **Unlocking community savings** for equity investment in clean energy
- **Building public support** for climate change policies and the societal changes that will be needed
- **Providing new economic development**

Governments could support renewable energy co-ops and community ownership in this role by:

1. Increasing investor confidence by promoting membership and investment in renewable energy co-ops and other community energy models:
  - Recognizing the role that community energy can play in tackling climate change, beginning the transition to renewable energy, and growing the economy by:
  - Launching a national community energy coordination effort, similar to the National Community Solar in the U.S. (to foster knowledge sharing)
  - Enhancing and harmonizing co-op structures in all provinces so that renewable energy co-ops and community enterprises can invest in all types of clean energy and energy efficiency projects
  - Amending the Income Tax Act to give RE Co-ops full status as registered co-operatives (RRSP advantage)
  - Providing a tax credit for those who invest in renewable energy projects through renewable energy co-operatives, similar to the multiyear credits recently renewed in the United States.
  - Introducing a Community Power Production Incentive directly targeted to projects that improve community energy self-sufficiency and climate resilience
2. Giving priority to community financing and ownership for all government procurement of renewable energy and energy efficiency projects and ensuring new infrastructure investment includes criteria that prioritize funding for community energy projects.
3. Providing access to debt financing for community energy by:
  - Using some of the proceeds raised through the sale of Green Bonds as a pool of capital to provide accessible debt financing for renewable energy co-operative projects.

- Working with provinces and territories to recycle revenues from carbon pricing so as to support new infrastructure investment in communities where the revenue is derived.
  - Deepening the pockets and broadening the scope of FCM's Green Municipal Fund to include energy efficiency and renewable energy projects with citizen participation or shared ownership
  - Making financing both affordable and available to communities and project developers through the new Canadian Infrastructure Bank and providing federal loan guarantees to support community investment.
4. Supporting training and capacity building in community investment and ownership of clean energy across the country through
- Support for skills development and job training in clean energy technologies and community energy management and financing through the proposed Climate Trust and other economic development funds
  - Support for community energy co-ordination and representation through the Federation of Community Power Co-operatives (FCPC)
  - Broadening the scope of established or creating new, clearing houses at universities and community colleges to share experiences and replicate successes.
  - Assist with the aggregation of energy production from many small-scale community installations to increase the value of smaller-scale projects.

### **An Ottawa Example**

The Ottawa Renewable Energy Co-operative (OREC) was founded in 2010 by 5 members. By May of 2016 OREC has grown to 500 members who have invested over \$5 million in solar electricity projects in Ottawa. The projects are installed on the roofs of schools, social housing, industrial buildings, and barns. Power from each project is sold to the grid under a 20 yr Feed-in Tariff (FIT) contract under Ontario's Green Energy Act. Members each buy a single voting share and then invest in the co-op's projects through the purchase of preference shares approved by Ontario's Financial Services Commission. OREC preference shares are RRSP and TFSA eligible. Member investment has shown that, given complete information on benefits and risks, there is a huge untapped potential for people to move their savings from conventional to local community investment alternatives.

All of these individuals and families are personally and financially invested in climate change action in their community, they now have a vested interest in encouraging the government to take further and stronger actions on the Climate Change file.

[www.ottawarenewableenergycoop.ca](http://www.ottawarenewableenergycoop.ca)

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