

# Australian Community Renewable Energy

## *CAMAC CSEF Submission*

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## Key Points

- The community energy sector in Australia has grown rapidly in recent years and shows promise to become a major contributor to local economic development and energy supply in Australia.
- This sector comprises a range of organisational forms, fundraising models and actors.
- A crowd-sourced approach to equity funding could address one of the major challenges facing the development of community energy projects in Australia - namely reducing ongoing administration costs. This has been identified in research as a key barrier to the sector's growth.
- This submission is made on behalf of the 15 undersigned community renewable energy projects and organisations.
- Currently, there are over 40 community energy projects in development with over 300 active project proponents. These projects are located across Australia in both urban and regional areas, with proponents of all ages and from a range of backgrounds. For the purpose of this submission, issuers are these community energy project proponents.
- Sophisticated investors have played an important role in initial projects, however, the sector would benefit most from a dedicated, pilot-scale regulatory framework that allows lots of small investors to participate in the investment and ownership of a number of community energy projects.
- If designed explicitly to foster investment in community energy, a dedicated CSEF framework would provide significant opportunity to grow this innovative new sector while continuing to protect investors from fraud and other risks.
- **We are not proposing wider reforms to the Corporations Act, but seeking an enabling framework to explicitly jump-start investment in community energy projects.**
- **We look forward to discussing the finer details of this framework during subsequent consultation.**

## Introduction: About Community Energy and our interest in this Inquiry

A vibrant *community renewable energy* (or simply, *community energy*) sector has emerged in Australia, united by a desire to democratise, decentralise and decarbonise our energy production and distribution.

- Democratising our energy production will provide new, fair investment opportunities, empowering citizens and whole communities to become owners and decision-makers in their local energy supplies.
- Decentralising our energy supply will involve the installation of local energy generators, such as solar, wind, biogas and other renewable technologies appropriate for local production. This will drive local economic development, improve distribution efficiency and build resilience in terms of both electrical supply and the local economy.
- Decarbonising our energy supply will reduce our reliance on costly fossil fuels by replacing these with renewable energy, such as solar, wind and biomass, which continue to become only cheaper as the technology is more widely deployed over time.

Broadly, community energy projects fill a gap in energy production between household demand (up to 5 kilowatts) and commercial requirements (roughly above 100 kilowatts). However, many projects are considerably larger, particularly wind, where one or more turbines of between 1 and 3 megawatts per turbine may be installed to supply whole communities.

**The community energy model is well established internationally**, particularly in Germany, the UK and increasingly in the USA. In some jurisdictions, community energy is a significant contributor to the energy supply mix and also to the local economy. In Germany, for example, over 50% of all renewable energy generated comes from citizen and community owned sources.

There are between 40 and 70 community energy groups with projects in various stages of development in Australia. With almost all of these having been initiated within the last 12-24 months, the **importance of removing barriers to financing is becoming increasingly apparent.**

This recent explosion of projects indicates significant interest in this sector in Australia and shows the potential for community energy to become a major contributor to local economic development and overall energy supply, shadowing the experience in overseas jurisdictions.

## US and UK Experience: Mosaic and Abundance

**Mosaic** is an online equity based crowdfunding platform in the US, established to connect solar projects with investors.

- To date, Mosaic has channelled over \$5m into renewable energy projects, mostly on social housing projects in California and now further afield.
  - Mosaic demonstrates the huge appetite for community renewable energy investment. [Within the first 24 hours of going live in January 2013](#), Mosaic's website raised more than \$300 000, including over \$200 000 for three loans for solar arrays on affordable housing complexes offering returns of 4.5%
- Rates of return for most of its projects are higher than US treasury bonds and are quite competitive with many other financial investment options for investors. Mosaic ["didn't wait for the passage of JOBS act"](#) because they were confident that there were enough interested investors to secure the financing of their projects.
- This suggests that 'getting out of the way' is an important role for government.
- The success of Mosaic is in its movement of energy investment away from generic, centrally controlled Renewable Energy Credits to a marketplace that is more satisfying for investors and more resilient.
- Mosaic conducts and collates some due diligence in their project appraisals. In line with SEC offerings.
- Until recently, renewable energy investment opportunities on Mosaic were open to all residents of California and New York State but were restricted to high profile investors from elsewhere within the USA.
- More information can be found at <https://joinmosaic.com>.

In the UK, **Abundance Generation** is the only green crowdfunding platform approved by the Financial Conduct Authority (FCA).

- Abundance aims to "link up communities and individuals with Renewable Energy Projects and make it possible for everyone to share in the benefits of clean energy production."
- Abundance Generation has successfully provided a platform for the financing of renewable energy projects, allowing investment from all UK residents over 18.
  - Abundance demonstrates a similar appetite for community energy investment, with one of their recent projects successfully raising £400,000 in less than one month, with investors contributing as little as £5 each.
- More information can be found at <https://www.abundancegeneration.com/>.

## What outcomes are we seeking?

### **A stand-alone, pilot regulatory framework for equity crowdfunding of community energy**

For most community energy projects in Australia, wide community engagement is a key objective. **The creation of investment and other participation opportunities for a large number of community members** to become owners or investors in renewable energy generators is seen by many as the ideal model for achieving the desired level of community engagement.

CSEF platforms represent an innovative mechanism for large numbers of community members to invest in community energy projects in such a way that minimises the administrative burden these projects face. However, for this to occur, changes to the current restrictions placed on CSEF would be required.

**We are seeking further discussion on the creation of a stand-alone, pilot regulatory framework for community energy equity crowdfunding to show the potential for the sector in Australia.** We look forward to discussing ways in which such a framework could be designed to further develop the community energy sector while still protecting investors from fraud and other risks.

### **Equitable access to investment opportunities, proportionate to financial capacity to absorb losses**

Community energy projects allow everyday people from within a community to become owners of energy generators. More importantly, **the communal, local nature of many of projects - such as Hepburn Wind's embeddedness in the Daylesford area - means that project proponents and intermediary organisations are well placed to identify scams.** Knowledge-sharing between participants and support organisations can help to promote honesty in project development. Nevertheless, robust auditing and governance of projects should still be encouraged through standards developed specifically for the needs of the community energy sector.

A key role for the CSEF review should be to identify where existing protections for general investors serve to remove access to renewable energy investment opportunities. As an alternative, we advocate equitable access for all investor profiles, whereby exposure to risk can be mitigated by limiting investment proportionate to financial capacity to absorb likely losses.

We welcome discussion of a mechanism by which these protections can be provided. The "investor linked caps" being considered in New Zealand, USA and Canada look promising in this regard.

## **Opportunities for Peer-to-peer lending**

New peer-to-peer lending businesses such as SocietyOne have developed platforms to collate and manage some project risks while still maintaining the social embeddedness of community lending. SocietyOne connects local businesses with customers through web and mobile platforms allowing fast and easy crowdfunding of capital, such as for new coffee machine financing from customers at a local cafe. There is tremendous scope for this approach within the community energy sector.

## **Direct responses to Questions posed in Section 7 of the Discussion Paper**

### **Response to questions 1-3:**

Our main priority is the development of a stand-alone, pilot regulatory framework for equity crowdfunding of community energy projects to show the potential for the sector in Australia. We want to avoid where possible wide-ranging changes to the regulation of existing companies where this could invite fraud. Therefore, in principle, we wish to avoid changes to the Corporations Act.

### **Response to questions 4-6:**

Community energy project proponents have canvassed the option of applying for a jointly held AFSL. However, a suitably designed regulatory framework could accredit one or more intermediary organisations to act as a marketplace for projects and attract equity investment, and avoid the expense and administrative burden that is currently making equity funding unviable for the dispersed sector.

Renewable energy projects have high capital costs that could be hamstrung by restrictions on the size of investment and/or number of investors. For a pilot scale regulatory framework, we believe that ensuring a mix of sophisticated and other investors will be necessary to effectively fund solar PV projects in the range of 50-250 kilowatts and wind projects up to 6 megawatts in size.

Furthermore, we stress that restricting investment in a regulatory pilot to 'sophisticated investors' would not serve to guard against fraud as there is no demonstrable correlation between wealth and knowledge of energy systems, *per se*.

## **Organisations Supporting this Submission**

Community Power Agency  
Pingala - Community Renewables for Sydney, NSW  
Backroad Connections Pty Ltd, Vic  
Bendigo Sustainability Group, Vic  
Embark, NSW  
GV Community Energy, Murchison, Vic  
LIVE, South Melbourne, Vic  
Low Carbon Kimberley, WA  
Melbourne Community Power, Vic  
Pingala, Sydney, NSW  
Ranges Energy Community Solar Cooperative, Vic  
Renewable Energy Inner West, NSW  
Repower Shoalhaven, NSW  
SolarShare, ACT  
Starfish Enterprises Network, NSW

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