



Mount Alexander  
**COMMUNITY  
WIND**

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This is a project of the  
Mount Alexander Sustainability Group

**Mount Alexander Sustainability Group**  
**submission to**  
**The ARENA Funding Strategy**

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The Mount Alexander Sustainability Group (MASG) is a not-for-profit association established by the Mount Alexander community to facilitate action on climate change. To this end, MASG has been working to establish Mount Alexander Community Wind, a community-owned wind farm in our shire. Currently still in planning phase, this wind farm will supply 50-100% of the domestic electricity needs of our shire.

This submission focuses on the need to support community renewable energy projects like Mount Alexander Community Wind through ARENA. We believe projects like ours have the potential to help ARENA achieve its objectives of increasing the supply of renewable energy. Specifically, we urge ARENA to include community projects within the ARENA identified strategies of:

- assisting mature technologies to bridge the commercialisation gap by contributing to project financing;
- supporting off-grid applications of renewable energy;
- developing industry learning and capabilities through an ongoing pipeline of projects across the array of skills necessary for widespread deployment of renewable energy; and
- reducing barriers to the uptake of renewable energy by, for example, improving community and industry acceptance of renewable energy through knowledge sharing activities.

The positive contribution that community projects make to the broader social and political climate within which the renewable energy industry will develop cannot be over looked. We assert that the community energy sector warrants specific attention in the ARENA funding strategy as it will underpin community understanding of and support for both clean energy policy and the roll out of clean energy infrastructure.

The economic, social and environmental benefits of these projects will play a vital role in building the broad social licence for renewables. A vibrant community energy sector is an economically efficient and socially desirable solution for building the social licence required to dramatically drive towards a clean energy future in Australia.

The success of Hepburn Wind, a 4 MW community-owned wind farm in Daylesford, Victoria, is testament to the potential of the community renewable energy (CRE) sector in Australia. Although CRE is a new model of development in Australia, it has played an important role in renewable energy development in the UK and Europe, and increasingly in the US and Canada also (Walker, 2008; Gipe, 2004, DWTOA, 2009; Hicks & Ison 2011). The successes of the CRE sector in these countries has been supported by government policy, including finance options in the forms of grants, guaranteed loans, rotating funds, grants and differentiated feed-in-tariffs. Importantly, government funding can aid the early stages of pre-feasibility and feasibility, when other sources of funding (commercial loans and investment) are not usually available. This is also true of Hepburn Wind, who received a \$1.2 million grant

(9.3% of project costs) from the state government in the feasibility stage. Such grants are no longer available in Victoria.

CRE projects rely on community investment to fund capital works. While economically viable in the long term, CRE projects often face cash flow issues in the short term as all the capital costs are up front, income can only be generated once the asset is grid-connected and full investment uptake may take years.

ARENA could play a pivotal role in providing early-stage finance options for CRE projects and thereby catalyse community investment in and support for renewable energy across the country. For example, our Community Wind project has completed a 'social feasibility' study which found broad community support for the vision of having a community owned wind farm. Over 800 active community contributions have been made to the project through 6 public forums, 400 survey responses, 25 market stalls, 35 key stakeholder meetings and several community presentations. This process has not only build a strong base of renewable energy advocates, but it has also educated the community about renewable energy. Mount Alexander Community Wind has now received 60 expressions of interest from local land owners interested in hosting wind turbines. But, before we can put up a wind monitoring mast, we need access to another \$60,000. After that, we will need approximately another \$300,000 before being able to raise funds through a share offering. We will be relying on grants, donations and venture capital to get us through the next phases of work. This is where ARENA could play a pivotal funding role, and thereby, catalyse community effort and participation in building a vibrant renewable energy sector in Australia.

MASG recently attended the Community Power Conference in Bendigo. It was clear from the conference that there are a significant number (over 60) of community groups seriously seeking to establish community renewable energy projects and that, if given the right circumstances, this sector could flourish in Australia. A strong CRE sector would have the benefits of bringing community support for and understanding of renewable energy, community capacity building and development, new income streams into communities, embedded energy benefits and greenhouse gas reductions.

Communities are ready to take renewable energy seriously and to be significant actors in the transition to renewable energy. We urge ARENA to take the most of this opportunity by unlocking funding to community projects.

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## **Background on Community Renewable Energy**

Adapted from resources prepared by the Community Power Agency and Embark.

### **WHAT IS COMMUNITY ENERGY?**

Community energy projects empower communities to play a constructive role in response to climate change. They create environmental 'leadership by example', provide social cohesion and a sense of control over their energy requirements as well as lasting economic benefits for regional communities.

Key elements of community energy projects include:

- local participation in planning and ownership
- financial benefits remain in the area
- welcomed by the local community
- built and managed to create local jobs
- accountable to the local community
- scaled to the community's energy requirements.

### **BENEFITS**

Although community ownership of renewable energy projects is a relatively new concept in Australia, it is common practice in several European countries and North America.

#### **Empowering communities to be proactive in reducing carbon pollution**

- Direct ownership changes attitudes at the local level, and leverages committed individuals in a community, giving them a positive outlet for action.
- Community ownership increases support for additional climate change mitigation measures and improves broader environmental awareness by establishing a connection between the community and its energy supply.

#### **Delivering regional economic benefits**

- Projects create jobs in regional areas, and generate new income streams for communities adding depth and resilience to local and regional economies.
- Significant project profits remain in the community and deliver a genuine 'felt' benefit.

#### **Tapping into a new funding source – the community investor**

- Community ownership encourages greater investor base diversity and taps into a patient and lower-cost source of capital.
- Experience in the UK demonstrates that community projects tend to attract 'serial investors', who invest in a series of community related initiatives.

### **Enduring social benefits**

- Locally-owned initiatives unite people around a common goal, creating social cohesion and a sense of purpose.
- Projects generally operate for 20-25 years, establishing a long-term sustainability dialogue with stakeholders and supporters.

### **Building social licence and accelerating renewable industry development**

- Once successful local examples that directly benefit communities are established, opposition will be reduced.
- Local participation and contribution to decision making process often leads to smoother and quicker planning approvals.
- Small projects often lead to large ones. In Europe, community initiatives have led the way for large-scale corporate investment in renewable energy.

### **Bridging the gap between individual and corporate action**

- The average rooftop solar installation delivers up to 1.5 kW of electricity, while a large-scale renewable energy project may deliver in excess of 100 MW. Between these two extremes lies an enormous opportunity for medium-scale initiatives.
- Community projects, typically in the range 1-10 MW, can deliver efficiencies that approach those of utility-scale infrastructure without sacrificing the social benefits of small-scale initiatives.

### **Delivering broader grid benefits**

- Community renewable energy infrastructure promotes medium -scale distributed generation.
- Distributed generation reduces losses, can improve grid stability and reduces the load on the transmission network thus improving overall grid efficiency.

## **BARRIERS**

Despite high levels of interest, the passion of committed individuals and promising business models, very few communities have yet progressed renewable energy projects past the conceptual phase. Specific barriers include:

## **Economics**

- Financial challenges are heightened for communities as these types of projects do not have robust balance sheets to support the formation stages of the project.
- Capacity for a community to weather uncertainty and withstand shocks or delays during a project can be lower.

## **Access to capital**

- Traditional equity and debt providers are reticent to commit funds as the community renewable energy sector does not yet have a long established track record in Australia.
- Institutional investors avoid smaller, one-off projects because due diligence requirements are proportionately high.

## **Non-traditional market player**

- Developing a renewable energy project is highly complex and requires a range of specialist skills not available in most communities.
- The ease and cost of grid connection is site specific. The greater the electricity exported into the local grid by the renewable generator, particularly an intermittent one, the more complicated and costly it will be to achieve the connection.
- Off-take agreements are bilateral and very challenging to negotiate in the current environment.

## **Inadequate policy framework**

- While Australia has well developed (but unstable) policies covering domestic-scale renewables and solid policy for large-scale utility generation, federal and state policies have neglected the middle ground where community initiatives naturally fall.