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With this attack on community energy the big six win out over 'big society'

George Monbiot

George Monbiot



By changing the rules, this government has sabotaged the promise of a UK community energy revolution and secured the dominance of the big six energy companies

@GeorgeMonbiot

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Solar panels on a roof in Totnes, Devon UK



In 2013, Ed Davey announced 'a **community energy revolution**' but recent changes to the law mean that many community energy models are now unviable. Photograph: David Pearson/Alamy

You would think the government had invented community. When David Cameron became prime minister, **he announced that** “my great passion is building the ‘big society’ ... We need to create communities with oomph – neighbourhoods who are in charge of their own destiny, who feel if they club together and get involved they can shape the world around them.”

Since then, ministers have scarcely been able to finish a sentence without using the word community. But their commitment turns out to be as hollow as the other famous claim Cameron made in his ‘big society’ speech: “we’re all in this together”.

There are, it seems, just two levels of organisation that the government regards as valid: individual households and big corporations. Anything in between is either a threat or an irrelevance. For all the grand announcements about community rights and community action, there is still no such thing as society. Let me show you what I mean.

In 2013, the secretary of state for energy and climate change, Ed Davey, announced “a **community energy revolution**”. Under the unlikely slogan “Power to the people”, last year the government **explained what this meant:**

Local communities will be able to take control of their energy bills and help transform the energy system ... In the future, the generation of

electricity by communities themselves could put pressure on energy suppliers to drive down prices, creating warmer homes, cutting carbon emissions and diversifying the UK's energy mix.

The big six companies who currently dominate the supply of energy in this country, ripping off their customers while ensuring that we remain locked into the fossil fuel economy, would, the government promised, be **replaced with “the big sixty thousand”**.

An example of how this could work is the installation of a community energy supply in Balcombe in Sussex, the site of some of Britain's most determined anti-fracking protests. **The co-operative that local people have formed there**, as an alternative to the smash-and-grab fossil fuel extraction pursued by the drilling companies, has attached £30,000 of solar panels to the roof of a cowshed. They will switch on the array within the next few days. The co-op, REPOWERBalcombe, hopes eventually to produce as much energy as the village uses, and to invest some of the profits in local energy efficiency and the alleviation of fuel poverty.

I have reservations about the efficacy of solar power at these latitudes, but if it's going to be done, it is far better done by communities, at scale, with widely distributed benefits, rather than just by individual householders, which means extra costs and resources per unit, and financial benefits flowing only to people rich enough to carry the costs of installation.

There is a real possibility, as Ed Davey's department suggested, that community energy of all kinds (not just solar) could present a serious threat to the existing system: the stitch-up that followed privatisation, which allows six companies to milk us under a dispensation no fairer than the granting of royal monopolies in the 17th century.

This is more or less what has happened in Germany, whose 'big four' are now in serious trouble as a result of the government's encouragement of community schemes. I believe that Germany's priorities are wrong: that getting rid of fossil fuels is a more important task than getting rid of nuclear power, which is orders of magnitude less dangerous. But despite proceeding with a ball and chain around its leg (the irrational pledge to abolish the nation's primary source of low carbon energy, which impedes the transition away from oil, gas and coal) the government there has at least succeeded in challenging the big energy companies' licence to print money.

One result is that at the end of November the German company E.ON (which is

also one of our big six), whose prior commitment to cooking the planet prompted protesters to devise the immortal slogan “E.ON: F.OFF”, **announced that** it would spin off its fossil fuel business and “focus on renewables, distribution networks, and customer solutions”. There are, however, **grounds for suspicion** about the motivation of such companies.

This was the future promised to the UK by Ed Davey’s department. In this oligarchs’ island paradise, whose government often seems to be little more than a channel for corporate power, it sounded too good to be true. And it was. His coalition partners have now sabotaged Davey’s community energy revolution. The big six can relax: their inordinate profits remain safe on these shores.

First, the Financial Conduct Authority (FCA) **changed the rules** under which energy co-operatives could be established. As a result of the **Co-operative and Community Benefit Societies Act** passed into law last year, the model that has proved so successful in Germany has been deemed ineligible here. The **FCA has been rejecting attempts to establish new energy co-ops** on the grounds that they sell the electricity they produce on to the grid, rather than to their members.

Then the treasurer, George Osborne, quietly slipped a change to the tax rules into last year’s autumn statement. Uniquely among small new businesses, community energy schemes will, from April, **no longer be eligible** for two major incentives to investors: Enterprise Investment Scheme and Seed Enterprise Investment Scheme tax relief.

A different relief scheme will be available to community groups, but only if they are set up as “community benefit societies”, which are “charitable or philanthropic in character”. The profits of these societies cannot be distributed to their members or shareholders. In other words there’s a tax incentive to invest in a business that cannot make you any money, but no incentive to invest in a business that can turn a profit. A perfect formula for ensuring that nothing changes.

As almost all energy co-ops rely on the usual business model – people invest and expect a return on their money – and as margins are fairly tight, this means, in effect, the likely death of community energy in Britain. In all other circumstances the government celebrates the profit motive as being the primary, or even sole, means by which social benefits are delivered. But when the profit motive threatens the position of the big six, the high priests of Mammon suddenly become an order of Franciscan monks.

This is not the government of enterprise; it is the government of monopolies. Its mission is to protect its major donors and lobbyists against effective competition.

Through privatisation, successive UK governments have created a tollbooth economy, whose gatekeepers enrich themselves at public expense. The profits of the big six (and utility companies operating in other sectors) arise from the same treasure house as the wealth of the Russian and Mexican oligarchs: a state licence to rob the public.

I mentioned that there are two units of organisation regarded as valid by this government: corporations and households. While community energy has been torpedoed, the absurd incentives for rich families remain protected.

As the Guardian **revealed earlier this month**, the Renewable Heat Incentive was rolled out by the government without any basic tests, safeguards or quality standards. The rich have been encouraged through amazingly generous incentives to install biomass boilers so inefficient that they don't meet the official definition of renewable energy, under a scheme which encourages as much waste as possible. The bigger the boiler and the more fuel you burn, the more money you are given. So rich people now run their oversized boilers at full steam, and **leave the windows open to cool the house**. The returns are astonishing: 20, 30, sometimes 40%.

I'm told that there are farmers who have used this incentive to install biomass-fired grain dryers, which would normally operate for just a few weeks a year. But because the scheme pays them to burn wood pellets, they keep the empty dryers running year-round.

This scheme is expected to cost us around £10bn, while doing little to reduce our greenhouse gas emissions. As hundreds of thousands languish in fuel poverty, forests are being felled so that rich people can burn wood with the windows open to profit from a government-approved scam. Does that sound like good policy to you?

All this has the incidental effect of ensuring that there is no serious threat to fossil fuel production and consumption: in other words no threat to the interests of the corporations with which the Conservative party has a symbiotic relationship. You can see the effects of this relationship in the infrastructure bill now passing through parliament, which, outrageously, places **a legal duty on future governments** to maximise the economic production of oil in the UK, and in the government's **refusal of planning permission for most wind farms**. Never mind the living world; never mind the future of humanity. What counts is the financial interests of the fossil fuel producers.

I asked the FCA why the rules have been changed. It told me it has to work within the new act. It repeatedly stressed that energy co-operatives could set themselves

up as community benefit societies if they choose, apparently unaware that this would destroy the incentive under which around 90% of them have formed, and which has propelled the transformation of the German energy market. “There is no need for community energy projects to be constrained or undermined” by this model, it told me, which suggests that it has no knowledge of the impact of its policy.

I bet Ed Davey is fulminating. I think he was sincere in seeking a community energy revolution, but the Treasury and other departments have made this impossible. It's a classic example of the triumph of what Thomas Piketty calls patrimonial capital: a rentier economy of robber barons crushing the breath out of new entrants and alternative models. Overseen, of course, by a government that claims to be the champion of free enterprise.

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MavisCruet 23 Jan 2015 12:42

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Nottingham council were meant to be having a city based energy company, profits to go back to the community, no shareholders etc but it's gone ominously quiet on that front.

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kevinbr [MavisCruet](#) 23 Jan 2015 12:48

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profits redirected to the community? Hmmm. Never going to happen.

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MavisCruet [kevinbr](#) 23 Jan 2015 13:06

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I don't see why not. Councils are being wrecked by the lack of central funding, and berated by the increases in council tax. For a city to be able to generate money by providing a service that's for the community and to then reinvest in that community makes great sense. It's beneficial for all involved.

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dr8765 23 Jan 2015 12:51

78

Another excellent exposé of the hypocrisy of this government from George. Every single thing it does is done for the benefit of global business and capital. It doesn't give a toss about people's lives.

Sourced by the R.H.I. Inquiry on 29.05.18

Annotated by the R.H.I. Inquiry

Just remember this when you vote in May.

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StillSinging dr8765 23 Jan 2015 15:31

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Totally agree. And remember, when you vote in May, that voting Labour isn't going to end corporate dominance of our economy and society either.

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Homerloan dr8765 23 Jan 2015 19:27

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Just remember this when you vote in May.

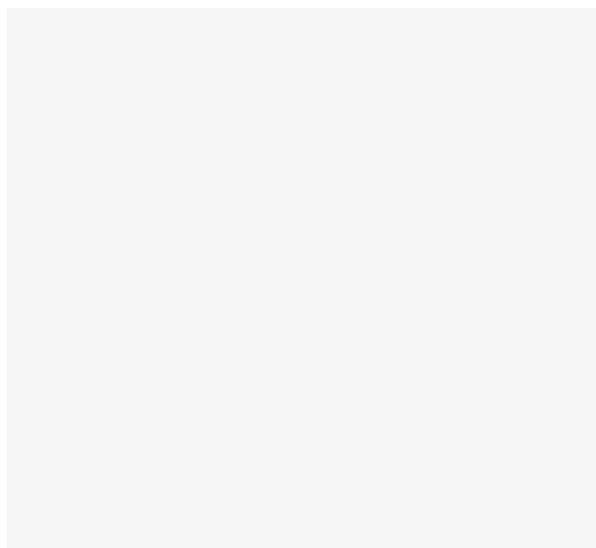
I'll be voting Green, whatever. I'll be interested to see whether Labour sit up and take notice of this article and propose measures that will give power back to the people. I'm not holding my breath, though.

Tory and Labour; two sides of the same bad penny. Vote for anyone but the cartel!

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