

**ACCELERATING RENEWABLE ENERGY
CO-OPERATIVES IN CANADA:
LESSONS AND POLICY NEEDS**

EXECUTIVE SUMMARY

MARCH 2016

Introduction

In light of the growing urgency for, and national commitment to a de-carbonised economy combined with the need for local economic drivers and community resiliency, community energy offers a win-win solution.

Community energy (CE), which broadly refers to community ownership of and participation in renewable energy projects, is considered an economically positive and (increasingly) a socially necessary approach to the low carbon economy. CE projects are developed under various ownership models (or legal structures) such as: renewable energy co-ops; by Aboriginal communities and corporations; through local investment funds; not-for-profit organizations; and the MUSH sector (Municipalities, Universities, Schools and Hospitals)¹. What is common to CE is the retention of project control and benefit (especially financial) at the community level.

On assignment to Co-ops and Mutuels Canada (CMC), TREC Renewable Energy Co-op and the People, Power, Planet Partnership, undertook an assessment of the status of renewable energy co-ops across Canada. While the reporting on status is specific to the co-op model, the comments made in this report about development challenges and recommended solutions applies broadly, but in varying ways, to other forms of community energy models named above.

¹ For more information on various CE ownership models, please visit <http://peoplepowerplanet.ca/community-energy-models/>

3. RE co-ops can enjoy increased access to start-up financing and thereby have the necessary capacity to move forward with their projects through:
 - a. Project development grants provided by the government, private and/or third sector.
 - b. Supportive securities legislations and the streamlining of regulatory application processes, which can make soft costs more predictable and manageable for RE co-ops in early phases.
 - c. Loan guarantee programs underpinned by Federal or provincial governments can provide debt security to commercial lenders who initially have no experience of the CE model and hence are reluctant to provide debt.
 - d. Support the Canadian Co-operative Investment Fund (CCIF) with an infusion of \$50 million to supplement the \$25 million contribution made by the co-op and credit union sector. The CCIF will help address the access to finance barrier. Structured as a revolving loan fund, the money in the fund can be used in perpetuity.

Overall, our research reveals that there is momentum building across Canada in the RE co-op field at the community level. Climate change strategies at federal, provincial/territorial and municipal level can be strengthened by recognizing this demand and responding with supportive policy and project development mechanisms described above.

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About TREC Renewable Energy Co-operatives

TREC advocates for and supports the transition to a 100% renewable energy future for Canada, within a generation. Created in 1998, TREC built the first co-operatively owned wind project and one of the largest solar co-ops in Canada. TREC believes our energy future must be owned by the people to build community resiliency, protect Mother Earth and enable sustainable economic practices. We work closely with the co-op and environmental sectors as well as First Nations to support their renewable energy goals. www.trec.on.ca

About People Power Planet Partnership (PPPP)

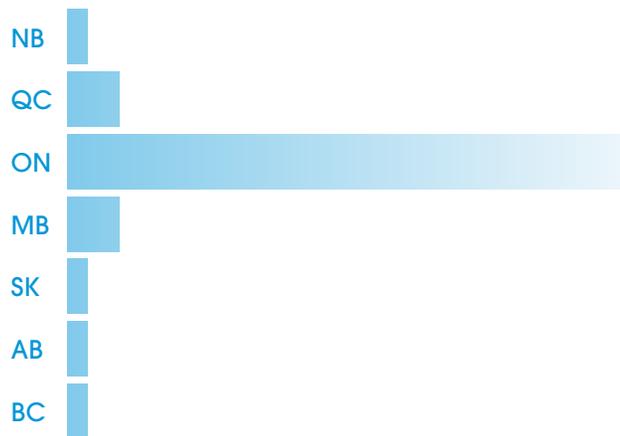
The Partnership was formed to assess, document and share the experiences and lessons of community energy developments across Canada and beyond, with the goal of increasing the level of awareness and rate of implementation of such projects nation-wide. The PPPP is supported through a Partnership Development Grant, funded by the Social Sciences and Humanities Research Council. peoplepowerplanet.ca

About Co-operatives and Mutuals Canada (CMC)

CMC is a national, bilingual association that represents more than 18 million co-operative members from 9,000 co-operatives. www.canada.coop

FIGURE 1:

Provincial breakdown of Canada's RE Co-ops



and Prince Edward Island) and territories (Northwest Territories, Nunavut and Yukon) are yet to have any recorded RE co-op activity. Nova Scotia, due to favorable policy, has seen 200 MW of community energy developed by various groups and models but there are no RE co-ops.

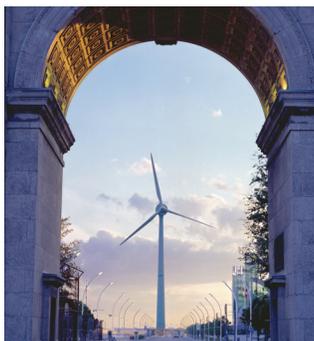
Our research revealed that the most prevalent challenges faced by RE co-ops in Canada are:

1. Accessing the market and electricity grid (see Recommendation 1 and 2 below).
2. Accessing start-up financing and the resulting lack of capacity in early stages (see Recommendation 3 below).
3. Accessing project financing (see Recommendation 4 below).

LESSONS LEARNED AND RECOMMENDATIONS

Below is a list of policy and project development best practices applied in jurisdictions such as Denmark, Germany, Ontario and Nova Scotia that helped RE co-ops overcome the above-listed challenges:

1. Feed-in Tariff (FIT) programs, which guarantee RE producers a fixed rate for a defined period of time continually prove to be effective in allowing RE co-ops to access the electricity grid and secure long-term power purchase agreements. FITs increase the financial viability of RE co-ops' projects and therefore help with raising equity and accessing loans.
2. FITs are most effective for RE co-ops when coupled with features such as:
 - a. A "community ownership set aside", which allocates a certain capacity under the FIT program to CE groups such as RE co-ops. This helps prevent unequal competition between CE groups and commercial proponents.
 - b. A "community price-adder", which is added to the regular FIT price can help increase the financial viability of CE projects.



WindShare Co-op, Ontario



ZooShare Co-op, Ontario



Installing solar

About RE Co-ops

A renewable energy co-operative (or RE co-op) is a co-operative enterprise² whose primary business activity is the generation of electricity and/or heat from renewable sources. RE co-ops stand out among other CE ownership models with participatory decision-making processes and collective outcomes already embedded in their business model through the democratic ownership arrangement.

A growing body of literature points out that RE co-ops can increase a local community's capacity in reaping the economic, social and environmental benefits of renewable energy (RE) projects:

- 1. Economic benefits at the:** (i) **Individual-level**, in the form of income and/or savings opportunities from the sales and/or self-consumption of generated energy; (ii) **Community-level**, in the form of increased employment and regional development opportunities compared to commercial projects, where profits are more likely to flow out of the community and jobs are less likely to be created and retained locally; and (iii) **Macro level** through contributing to domestic energy security and energy price stability, by reducing dependence on imported fuels and on energy sources that are subject to volatile pricing.
- 2. Social benefits in the form of:** (i) **Social cohesion** through shared participation and an increased sense of belonging; (ii) **Capacity-building** through an increased capacity at the individual and community level for the realization of future collective initiatives; (iii) **Increased public acceptance of RE projects** through direct financial stake and collective decision-making power.

- 3. Environmental benefits in the form of:** (i) **Addressing climate change** through replacing polluting and carbon intensive energy sources with cleaner and renewable ones; and (ii) **Energy conservation** through increasing members' awareness of their personal energy use patterns and thereby motivating reductions in energy consumption.

These being said, it is important to note that the ability of RE co-ops to generate the above-listed outcomes is limited by various financing and policy-related barriers in Canada, which will be highlighted below.

RENEWABLE ENERGY CO-OPERATIVE ACTIVITY IN CANADA

The prevalence of RE co-ops has been growing internationally for the past 25 years, with Germany and Denmark being global leaders with a combined count of almost 2,400 RE co-ops. Germany and Denmark's success in fostering RE co-ops also inspired Canada's policy-makers and communities, especially in Ontario where the Green Energy and Economy Act (GEEA) was introduced in 2009. Currently, there are 47 active RE co-ops across Canada. Most of this activity is taking place in Ontario where 34 RE co-ops are pursuing project opportunities (See Figure 1).

Saskatchewan, Alberta and Manitoba have had their first RE co-ops incorporated in the last four years, demonstrating that RE co-ops are spreading across Canada. However, RE co-ops in these provinces are having difficulties getting their projects underway, even with a great deal of local community support. On the other hand, several provinces (Newfoundland & Labrador,

² A co-operative is an organization that is collectively owned and democratically controlled by its members. All members, regardless of their shareholdings, have a say in decision-making processes on the basis of the one-member, one-vote principle.