Scaling community energy in the UK

What national policy must address to enable local delivery

Policy brief
September 2026

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Key messages

- This SEI brief aims to inform how the UK's ambition to expand the number of community-owned, renewable energy sources can translate into practical delivery. It outlines key hurdles that community energy efforts face and makes recommendations to overcome them. Its insights are drawn from discussion groups convened for this purpose, bringing together community energy practitioners, support organizations' representatives, and experts from the sector.
- The UK has signalled renewed ambition to invest in efforts to accelerate the growth of community-owned energy to help communities "reap the benefits of clean, secure, home-grown energy" (Department for Energy Security and Net Zero, 2024). Such ambition requires the right enabling conditions, which have yet to be realized.
- Key barriers identified include development-stage risk, weak organizational capacity, limited access to infrastructure and markets, and uneven conditions for participation.
- Many of the systems shaping delivery, from grid access to procurement, still work better for larger commercial actors than for community-scale organizations and for communities that have more organizational capacity and more financial wherewithal.
- Policy and implementation must move beyond solely funding individual projects to creating the conditions for sustained local delivery. This must address regulations, the market, access to infrastructure, and organizational capacities of communities themselves.
- These issues are essential to the aim of expanding community energy, which directly supports wider policy goals such as energy affordability, local economic resilience, and public participation in low-carbon transitions.

Introduction

An increasingly important focus of UK energy policy is community energy, by which we mean community-led projects and initiatives that involve generating energy, reducing or managing energy use, or purchasing energy, and which emphasise community ownership, leadership or control and the delivery of benefits to the community (Department of Energy & Climate Change, 2014). Interest in community energy is increasing in part because international evidence demonstrates its potential to contribute to multiple goals: boosting decarbonization, allowing value to be retained locally, offering an avenue for wider public participation in decision-making, and lending greater legitimacy to energy transitions (Walker & Devine-Wright, 2008; Wierling et al., 2018). European experiences suggest that community energy develops most effectively

within supportive policy and institutional environments. Such environments are those that provide long-term policy certainty and governance arrangements that enable community organizations to grow, often with the support of intermediary organizations (Wierling et al., 2018). However, community energy initiatives can also face significant challenges, including access to finance, complex regulatory requirements, limited organizational capacity, and difficulties accessing energy markets and infrastructure.

The UK reflects many of these international opportunities and challenges. At the same time, it faces distinctive institutional and regulatory characteristics that must be addressed to achieve the aims set out in recent related policy: the Local Power Plan and the establishment of Great British Energy through the Great British Energy Act 2025. These policies demonstrate renewed national ambition and financial support to expand community energy. In particular, the Local Power Plan commits up to £1 billion of investment through a combination of grants, loans, advice and expert support, with the ambition of supporting over 1,000 local and community energy projects by 2030 and giving every UK community the opportunity to own a local energy project (UK Government, 2026). They also provide an opportunity to strengthen the policy and regulatory framework needed to accelerate its implementation and support its longer-term sustainability.

Increased interest in fostering community energy occurs against a backdrop in which policymakers are seeking ways to accomplish multiple goals: to enhance energy affordability, build local economic resilience, and foster trust and fairness throughout the process of energy transition. The concept of community energy helps achieve all these goals through expanding local ownership, capturing value locally, and increasing participation (Community Energy England, 2024).

However, a gap remains between policy intent and delivery conditions, with community energy schemes operating within complex systems. These span grid access, market frameworks and organizational capacity, all factors that dictate what is possible (Ofgem, 2023; Climate Change Committee, 2024). Without tackling these conditions, new policy commitments may struggle to enable effective local delivery.

This brief is aimed at those shaping how this ambition is translated into delivery, particularly teams responsible for implementing the Local Power Plan; those designing delivery models within Great British Energy; and actors involved in aspects of regulation, infrastructure and local delivery.

The brief presents insights that draw on evidence from the Community Energy-Citizen Science (CE-CS) project, undertaken between July and December 2025 as part of the Ecological Citizens Network+, funded by the Engineering and Physical Sciences Research Council (EPSRC). The project involved community energy practitioners, support organizations' representatives, and experts from the sector. They participated in ten question-and-answer sessions and five facilitative workshops. The conversations revolved around the possibilities, challenges, and policy implications for scaling up community energy in the UK.

Current policy needs

Barriers to scaling community energy are interconnected rather than arising from a single constraint. Four core themes emerged from the evidence: infrastructure and market frameworks; governance and power; finance and business viability; and community capability and participation.

Infrastructure and market frameworks

The UK energy system has largely been designed around centralized, large-scale generation. Existing regulatory and market arrangements favour commercial-scale actors, creating significant hurdles for community-led initiatives (Walker and Devine-Wright, 2008; Wierling et al., 2018).

Participants identified recurring challenges associated with grid connections, along with planning and procurement arrangements. A common theme was the way different parts of the system operate according to different institutional and geographical boundaries. One participant described a project that involved crossing both electricity network boundaries and a different set of administrative geographies for planning processes. Although the project itself was technically and economically viable, the misalignment between network governance, planning processes and community boundaries prevented it from progressing.

This example reflects a wider issue raised throughout the discussions, the notion that the time, cost and risk associated with developing community energy projects increase because of delays in accessing infrastructure, uncertainty over routes to market, and the organization of existing governance arrangements. These conditions can and do constrain project delivery, even where local demand and technical potential exist. If community energy is to play a greater role in the UK's energy transition, the policy and regulatory framework will need to better reflect the way community-led projects are developed and delivered.

Governance and power

As community energy projects grow in scale and complexity, governance becomes increasingly important to deliver projects. Larger-scale developments require collaborations among community groups, local government agencies, developers, telecommunications companies, funders, and other parties involved in the project. While such collaborations offer many useful resources to the development process, these collaborations involve institutions with divergent objectives and operational styles. Governance, thus, plays a crucial role in decision-making processes, division of responsibilities, and the matter of whether the community organization maintains its relevance in the development process.

Most legal, business and procurement frameworks have been built with large organizations in mind, not community-led initiatives. This means that community organizations may find it hard to receive specialized advice, enter into partnerships,

and retain accountability when responsibility for delivering the project is divided among a number of partners. The more complicated projects become, the more there is a danger that decision-making drifts away from the very communities that are both the focus of the project itself and crucial to the project's objectives.

Therefore, good governance should be able to provide community organizations with help during the whole duration of the project, not only in the early stages. Communities need the chance to make decisions as projects grow more complicated. They must continue to play a decision-making role to make sure that their concerns are part of the delivery process and that issues important to them are not overlooked.

Finance and business viability

The main financial constraint in community energy is development-stage risk rather than availability of capital. Before projects become investment ready, community organizations are often required to fund feasibility studies, planning, legal work, business development and grid applications. These activities are costly, and outcomes are uncertain. Typically, this work must take place before projects are able to attract external investment (Community Energy England, 2024).

Capital funding alone does not address these early-stage barriers, as communities need forms of support that reduce development-stage risk, provide continuity between project stages, and enable organizations to maintain the staff time and capacity needed to develop a pipeline of projects. Provision of such support is consistent with wider evidence identifying early-stage development risk as one of the principal constraints on community energy initiatives.

The wider policy environment also shapes the conditions under which projects are developed. On issues such as local heat networks, retrofit and more complex partnership models, policy uncertainty and fragmented support can make projects more difficult to develop and finance (Climate Change Committee, 2024). In discussions with participants, community energy projects were often described as being too large to be financed by communities alone, but too small to attract institutional investment. In this context, the challenge is not simply the availability of finance, but the ways development-stage risks are distributed and addressed before projects become financially viable.

Community capability and participation

An organization's ability to deliver energy projects depends heavily on its internal organizational capacity. Key challenges include limited staffing, reliance on voluntary effort, and uneven access to specialist knowledge and support. These constraints affect the ability of organizations to retain skills and engage with increasingly complex delivery arrangements.

Our discussions also underscored that opportunities to participate in community energy are not evenly distributed. Time, security, confidence, and access to information

help determine who initially becomes involved and who remains involved in the long run. Thus, the concept of community energy leads to larger concerns regarding whose interests will be represented, whose voices will be heard, and which communities will be best equipped to gain from any further investments.

Throughout our discussions, organizational capacity over the long term was identified as one of the key problems. The lack of such capacity makes it difficult for community organizations to sustain their staff, accumulate knowledge, and build on past experiences. The issue of organizational capacity has been linked with the question of inclusiveness of existing participatory models and the risk that community energy may be shaped and undertaken primarily by those with sufficient time and resources to participate.

Why this matters for UK policy goals

The benefits of community energy are not limited to expanding the capacity of renewable energy. Community energy can make energy provision more cost-effective, boost local economies, and increase community engagement in the energy transition process. At the same time, the value of community energy in many cases remains unrecognized. This is because the benefits associated with it fall outside common evaluation practices, which tend to concentrate only on energy capacity.

This narrow focus has implications for the way current policy is designed and implemented. Our discussions highlighted that initiatives such as the Local Power Plan are likely to be more effective if community energy is recognized not only as a route to increasing renewable energy generation, but as a distinct approach to delivering wider public value through local participation, ownership and longer-term community benefits.

Policy recommendations

If community energy is to expand to be both impactful and inclusive, then national government policy needs to go beyond merely supporting individual projects. Instead, policy should seek to facilitate mechanisms that can help deliver community energy at scale through funding, regulation and institutions.

With this in mind, we make the following recommendations:

- **Reduce development-stage risk.**

The UK Government, devolved governments, and public funders should create specialist funds for community energy projects that will support them through the life of the enterprise from start to operation. This means providing assistance for feasibility assessments, planning applications, legal issues, business models, and connection to the grid. This support must include grants for initial projects and bridge finance on preferential terms for mid-stage projects that are awaiting construction. The criteria used for such funding should be simpler and proportionate to the scale of the community groups involved.

- **Improve access to infrastructure and markets.**

The UK Office of Gas and Electricity Markets (Ofgem), working with distribution network operators (DNOs), should establish a streamlined and proportionate grid connection process for community energy projects. This should provide shorter and more predictable connection timescales, greater transparency over available network capacity and connection costs, and measures to reduce the financial barriers faced by smaller community-led schemes. Such reforms would build on commitments in the UK Government's Local Power Plan to improve network company service standards, introduce clearer response times and explore tailored support for community energy projects seeking grid connections (UK Government, 2026).

Alongside this, the UK Government and Ofgem should accelerate regulatory and market reforms that enable community organizations to share and sell locally generated electricity. This should include facilitating local supply arrangements, community tariffs, peer-to-peer trading, local balancing, power purchase agreements and participation in flexibility markets. Regulatory requirements, transaction costs and market-access arrangements should be proportionate to the scale and risk of community energy organizations, rather than imposing costs and administrative requirements designed primarily for larger commercial energy suppliers. These reforms would enable community energy organizations to participate more effectively in energy markets while retaining a greater share of the economic and social value generated within their communities.

- **Strengthen organizational capability.**

It is necessary for governments to make long-term core funding programs available for community energy groups, as opposed to funding just projects. The funding will cover the costs of staffing, coordinating volunteers, developing governance structures, supporting organizational learning, and accessing expertise in legal, technical and financial matters. There should also be the development of national technical advisory services and learning networks by public bodies and intermediaries.

- **Create fairer partnership frameworks.**

Both national governments and local administrations must devise a set of standardized partnership and procurement procedures tailored to community energy schemes. These must treat community organizations as public interest bodies, not only as business entities. Procedures must incorporate principles of equitable risk sharing, transparency in decision-making, and community benefits within these partnerships. In addition, public procurement policies can be used to set aside or weight contracts for community delivery when the project offers social benefits.

- **Support more inclusive participation and local ownership.**

Funding and policy mechanisms must ensure that community energy initiatives show evidence of inclusive participation and community benefits. Governments and municipalities must offer dedicated assistance in ensuring that low-income families, renters, disadvantaged communities, and communities lacking organizational and financial resources can participate in the process. Assistance can take many forms, such as match-funding schemes, community-share programs, participatory governance rules, and capacity-building efforts.

- **Embed the wider public value of community energy in government decision-making.**

Measures of social and economic value must be integrated into government evaluation and regulatory processes for community energy schemes. Such metrics could relate to issues around affordability, local wealth retention, citizen engagement, skill development, energy security, and just-transition contributions. Funding and procurement bids for government programs should use these metrics to assess social outcomes along with costs and energy-generating capacities in their project evaluations.

Conclusions

Community energy offers a practical approach to delivering local energy solutions and supporting an energy transition that is both effective and inclusive. To realise this potential in the UK, policy and implementation must move beyond supporting individual projects towards creating the regulatory, financial and institutional conditions needed for sustained delivery. Without these enabling conditions, the UK's ambition for community energy risks continuing to exceed its capacity for implementation.

As the insights from this brief show, there is a need for a unified, national strategy for community energy. Such a strategy should be devised to develop and support community energy with regulations, financing, and localized implementation structures that work together from the beginning of exploring options to the end of implementation of projects.

The crux of the issue is not how to provide finance to enable more community energy schemes. Rather, the core matter is to transform the energy system such that communities and community organizations can become viable participants in the UK's energy transition process.

Though this study focuses on the UK, its findings underline problems that exist in other countries. It can be argued that lessons learned through the UK community energy experience could provide some insight into how community-led energy transitions could be supported elsewhere. Further work is required to see how energy systems, institutions and governance arrangements can be transformed to foster more participation and more sustainable community energy enterprises.

Published by

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DOI: DOI: 10.51414/sei2026.037

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Acknowledgments

This brief draws on the contributions of community energy practitioners, sector organizations and researchers who participated in the Community Energy–Citizen Science (CE-CS) project. We are particularly grateful to all participants whose insights and experiences shaped the analysis presented here. We also thank the invited speakers who contributed to the Q&A sessions, and members of the project advisory board for their guidance and input throughout the project. The work was supported by the Ecological Citizen(s) Network+, funded through the UKRI Digital Economy Programme (EPSRC award EP/W020610/1). The Network+ is led by the Royal College of Art, in partnership with the Stockholm Environment Institute at the University of York and Wrexham University, alongside a range of partners from industry, the third sector and civil society. We also acknowledge the wider project team and supporting staff who contributed to the delivery of the CE-CS activities and the development of this work.

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