

# Renewable energy cooperatives

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## Establishment of energy cooperatives

Renewable Energy Cooperatives (RECs) are initiatives that enable citizens to take charge in implementing alternative ways of supplying their energy. When individuals form larger and more influential cooperatives, it becomes easier to challenge the dominant and powerful actors of the energy industry<sup>1</sup>.

There are different types of energy cooperatives depending on what services or products they offer. For example:

- Energy cooperatives can produce and supply energy to both consumers and their members, as well as non-members
- Groups of consumers can form an energy cooperative to negotiate a better price for buying their energy
- Cooperatives can operate electricity distribution or transmission lines to be able to coordinate the movement of energy
- They may also provide advisory or training services that are related to energy provision<sup>2</sup>

Renewable energy cooperatives are common in areas of Europe, especially in Denmark (2.5k+ energy cooperatives as of 2023) and Germany (1k+ energy cooperatives as of 2023), as well as Austria, Italy, France, the Netherlands, Spain and Sweden<sup>3</sup>.

### Main structure and features

Renewable Energy Cooperatives are collectively owned by individuals. Membership not only seeks to improve individual circumstances but also has a wider focus on the broader activities of producing, distributing and consuming energy. The risks, costs and benefits that may arise from the adoption of renewable energy technologies (eg solar photovoltaic [PV] panels and wind turbines) can then be shared amongst members.

The structure of the cooperative allows democratic voting, where each member is entitled to one vote<sup>4</sup>. Each member has only one vote, regardless of their investment, financial contribution or how many shares they own<sup>5</sup>.

### What is needed to succeed?

A successful REC will ideally engage the local community in energy, create the potential to employ staff, generate earnings, and build organisational capability. Some key facilitators and enablers of a successful REC<sup>6</sup> are:



#### Funding

Raising enough capital to meet the significant costs of building projects is essential. However, this is possible and has been achieved. For example, one cooperative in Canada raised \$70 million since the early 2000s, and another in Canada raised \$10 million in one year<sup>6</sup>. The Goulburn Community Energy Co-operative raised \$1.4 million from community members

While loans offered by banks are generally high-interest, local credit unions occasionally offer loans to RECs, which are low-interest for upfront costs. Governments also can provide start-up funding to some RECs. For example, in Canada, the Ontario government provided \$40,000 to cover costs related to their offering statement.

In Canada, REC members are able to utilise tax-free saving accounts (TFSA) and registered retirement savings plans (RRSPs) for fundraising. Another essential revenue source identified for RECs was retrofit funding for transforming homes to be greener<sup>6</sup>.



#### Policy

Policies for small-scale energy generation schemes in Alberta, for example, the FIT (Feed-in Tariff) program<sup>7</sup>, have strengthened the REC sector. The FIT program prioritised community-led projects, which included Indigenous and municipality participation.



## Volunteers

Projects often require Board members (usually a pool of volunteers) with expertise from strong educational or professional backgrounds, such as legal or accounting (thus avoiding the need to pay for legal or accounting services). Having a pool of dedicated volunteers or staff can help avoid volunteer burnout and decrease the workload on Board members.

Cooperatives often begin operating with just a Board and subsequently bring in paid staff to manage the cooperative once it has developed to a certain size or started to become profitable<sup>8</sup>. New RECs might also benefit from harnessing the skills of individuals who have sales and marketing abilities and backgrounds<sup>9</sup>.

## A successful Australian renewable energy cooperative

The Community Energy 4 Goulburn (CE4G) association obtained a New South Wales (NSW) Government grant to conduct a feasibility analysis to evaluate the prospect of establishing a renewable energy farm that would be owned by the community. The choice of a solar PV farm was seen as more affordable based on the cost of wind turbine construction at the time. There was also a large presence of established wind farms in the area. Over 200 community members attended a community forum that settled on a cooperative structure for the project, ensuring that all members would have an equal say (via the 'one member = one vote' precept) regardless of their financial contribution. This democratic framework was felt to motivate even more community members to become involved in the cooperative.

The minimum investment as a member is \$400, as well as a \$10 annual membership fee. While some capital is held for panel maintenance, the majority of profits are distributed to members annually, with dividends paid in proportion to members' investment. A percentage is also reserved for disadvantaged community members to help provide support for energy bills via a Goulburn-based charity.

While the initial investment of building a solar (or wind) farm is substantial, once built, these require minimal ongoing labour. Furthermore, advances in technology have seen the cost of solar PV equipment decrease. This has allowed CE4G to invest in a battery, providing the ability to store surplus energy. Fundraising by CE4G has been extremely successful. It has received \$2 million from the NSW government and almost \$1.4 million from funding from local community members. Once operational, it is envisaged that the cooperative will generate electricity and sell this into the market via three different routes:

- Selling to the spot market (directly into the grid in a scheme that resembles an auction)
- Selling electricity as a wholesaler on to a retailer
- Entering into a power purchase agreement (PPA) with a larger customer (ie a university) and distributing the energy to them via a retailer<sup>10</sup>



Image: Members of the CE4G committee. Nicola Fraser (2021). <https://www.goulburnpost.com.au/story/6805106/project-manager-pushes-community-solar-farm-to-next-phase/>

## Establishing a cooperative: Useful guidelines and references

### Phase 1

### Establishing a co-operative

The three key steps in establishing a co-operative are:



1. Define the problem



2. Develop the business model



3. Form the co-operative

### Phase 2

### Operating a co-operative

The key steps in operating a co-operative are:



1. Implement good governance practices



2. Measurement & reporting performance



3. Management practices

### Phase 3

### Changing or winding-up a co-operative

The three key steps for changing the co-operative structure or operation and winding up a co-operative:



1. Change the structure, governance & membership



2. Overcome challenges



3. Close the co-operative

Image: Get Mutual (n.d.). A Step-by-Step Guide to Establishing a Cooperative <https://farmingtogether.com.au/wp-content/uploads/2017/04/stepstep.pdf>

### Draft your co-op rules

The Co-op Builder is a FREE step-by-step guide aimed at assisting groups in preparing and understanding what legal documents are required to form a cooperative in Australia and is suited to any cooperative enterprise or purpose.

<https://coopfarming.coop/builder/>

### Register your co-op

Step 1: Seek approval from your local State or Territory Registrar for your proposed cooperative's name, draft rules and disclosure statement (if you need to have one).

Step 2: Hold a formation meeting.

Step 3: Apply to register the cooperative.

<https://coopfarming.coop/start-your-co-op/register-your-co-op/>

### If you require help

If you need help with planning your cooperative, support, information and resources can be found at The Business Council of Co-operatives and Mutuals, which works with a wide range of reliable industry associates who have a good understanding of business models and their mutual and cooperative nature.

<https://coopfarming.coop/start-your-co-op/get-help/>

Another useful resource is the information document "Co-operatives" by Justice Connect (last updated January 2023) and can be found at: <https://content.nfplaw.org.au/wp-content/uploads/2023/01/Co-operatives.pdf>

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Have an idea for a factsheet topic we should cover?  
Get in touch!

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