



Business Council of  
Co-operatives and Mutuals

Submission to the House of Representatives Standing  
Committee on the Environment and Energy Inquiry into the  
Australian Local Power Agency Bill 2021

9 July 2021



The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to the House of Representatives Standing Committee on the Environment and Energy inquiry into the Australian Local Power Agency (ALPA) Bill 2021.

The BCCM is the national peak body for Australian co-operatives and mutuals. BCCM represents a diverse range of member-owned enterprises operating in sectors including community energy, agriculture, banking, insurance, motoring, health services, aged care, disability employment, housing and retail. Co-operatives and mutuals are corporations regulated under the harmonised state and territory Co-operatives National Law or under the Corporations Act.

### **BCCM supports the enactment of the Australian Local Power Agency (ALPA) Bill 2021.**

BCCM believes the establishment of ALPA has the potential to see more communities following in the footsteps of pioneering local energy co-ops like Hepburn Wind and Goulburn Community Energy. As member-owned enterprises, co-operatives are ideal vehicles for financing and managing energy assets for a purpose other than profit maximisation: Developing the social licence for new technology, sharing surpluses equitably and building local wealth so that the proceeds of energy businesses are reinvested back into the local economy. Beyond individual communities, co-operatives can also contribute to a diversified energy market with health business model competition in the interests of consumers. We have provided further information on the benefits of co-operatives for local energy projects as an appendix.

While BCCM is not aware of anything in the Bill that would curtail the use of co-operative structures in local projects supported by ALPA, co-operatives are often overlooked as a viable business model option in the development of regulations and in the operations relating to even “neutral” legislation. Noting these issues, the 2016 report of the [Senate Economics References Committee Inquiry into “cooperative, mutual and member-owned firms”](#) recommended that co-operatives be ‘actively promoted as a possible option for serviced delivery particularly where community based initiatives are being considered.’ Therefore, we recommend that this inquiry notes that, if ALPA is established, policymakers should:

- 1. Work with BCCM to ensure groups with an interest in establishing local energy projects under a co-operative structure or seeking guidance on structure options have access to relevant specialist resources, information and education through ALPA hubs.**
  - BCCM is currently delivering the [Co-operative Farming](#) program to provide education on forming co-operatives to farmers, fishers and foresters.
- 2. Consult with BCCM to ensure ALPA financing activities are inclusive of co-operatives and the range of options available to co-operatives, including Co-operative Capital Units, a form of hybrid capital that supports community ownership.**
  - BCCM’s [Community Investment in Co-operatives handbook](#) outlines these options.
- 3. Consult with BCCM about how co-operative structures could be a practical means for achieving 20% ownership in large energy projects.**
  - Co-operatives are commonly used for community part-ownership in sporting clubs and other community assets. Community-owned professional sports clubs in the United Kingdom are referred to as the ‘Supporters Trust’ model. BCCM is



working with the first 'Supporters Trust' in Australia.

We would be pleased to provide any further information.

**Contact:**

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## Appendix: the benefits of co-operative ownership of local power projects

BCCM acknowledges the significant benefits that derive from community ownership in energy projects, including:

### 1. Social licence promotes the spread of renewable technologies.

Co-operative ownership creates a social licence and has shown to be the ideal vehicle to promote the uptake and spread of renewable energy technologies. Co-operative ownership was instrumental in the wide-spread acceptance of wind-energy throughout Denmark and Germany. Today, wind farm turbines across Denmark, 80% of which are owned by households and communities, supply almost 20% of the country's energy needs.

### 2. Competitive and efficient in thin markets.

Co-operatives focus on their members' needs, granting members, ownership, control and responsibility. It is these characteristics that allow co-operatives to compete and operate efficiently where the private or public sector cannot. Co-operatives are a significant player particularly in rural United States where they currently own and maintain 42 per cent, or almost 4.2 million kms of electricity distribution lines across the country.

Co-operatives are a market-based option that contribute to the development of genuinely competitive energy markets and can meet needs that cannot be met otherwise in thin markets. They are able to focus on balancing long-term security, affordability, reliability and environmental sustainability goals in the interests of their members and communities. Additionally, co-operatives contribute to market diversity and competition between business models to the benefit of all consumers.

### 3. Community benefit

Co-operative ownership of renewable technologies has shown to generate an average of 2.5 - 3.5 times more jobs and 3.1 - 4.5 times more local dollars compared to investor ownership. This is achieved through increased engagement with local labour and businesses and the payment of dividends and servicing of bank loans locally. Co-operative ownership also strengthens local resilience, participation and bonds of reciprocity.



## What are co-operatives and how do they support community ownership?

Co-operatives are an ideal structure for promoting and maintaining community ownership and are uniquely suited to promote the stated objects of the ALPA Bill 2021.

Co-operatives are member-owned enterprises that exist to meet the social, economic and cultural aspirations of their members and communities. As owners of the co-operative, it is the members that democratically govern their enterprise.

Co-operatives are guided by a set of internationally agreed principles based in self-help, solidarity and democracy. These values are stewarded by the International Co-operative Alliance and are enshrined under section 10 of the Co-operatives National Law (CNL):

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for Community

The co-operative legal structure under the CNL has the following features which are particularly beneficial for community ownership of local energy and power assets.

1. **'Active membership' provisions protect community ownership and control.** 'Active membership' provisions in the Co-operative National Law (CNL) ensure membership is tied to ongoing contribution or use of a co-op, ensuring co-operatives are controlled by people with a common purpose. Active members have one vote each in their co-operative.
2. **Co-operative directors are empowered to fairly balance outcomes.** The distinguishing feature of co-operatives, compared with other corporate entities, is that they are member-owned and operate for member benefit. Member benefit can mean a wide range of social and non-financial benefits compared with the specifically financial returns enjoyed by shareholders. Under Co-operatives National Law, the directors of co-operatives may consider co-operative principles when making decisions.
3. **Co-operatives law and principles encourages equitable distributions of benefits.** Co-operatives are open membership organisations giving a wide number of persons the opportunity to access the benefits of membership. Distributing co-operatives may pay dividends on share capital to members, yet the dividend rate is capped by regulation, ensuring the co-operative remains focused on delivering long-term value to all members. Under the co-operative principle of Concern for Community, co-operatives share the benefits of their business activities through sponsorships, investments, procurement, employment and other measures.



### Case study: Hepburn Community Wind Park Co-operative Ltd (Hepburn Wind)

Hepburn Wind is a distributing co-operative registered in Victoria with over 2000 members, the majority of whom are local to the project. Formed in 2013, members invested \$10 million towards the construction of two wind turbines.

Community Benefit includes:

- Construction of the wind farm involved over seven work-years of on-site employment and currently employs three part-time local staff.
- Project expenditure includes more than \$7 million of Australian content with more than half of this spent in regional Victoria.
- \$30,000+ a year from surpluses contributed to a local Community Sustainability Fund.

Community Engagement includes:

- More than 130 street information stalls.
- Conducted more than 100 personal home visits to local residents.
- Bus tours allowing more than 250 locals to visit turbines at nearby wind farms.
- Sent more than 20 project update letters to local residents.

### Co-operatives as flexible crowdfunding vehicles

Co-operatives are an ideal corporate vehicle for investment where the primary purpose is not profit maximisation or capital gains. They are unlimited in membership and able to offer shares to members, and debentures and Co-operative Capital Units to members and non-members. Co-operative Capital Units could be used for governments, local councils and other stakeholders to become non-member investors in a local power co-operative.

Co-operatives can also be used as a vehicle for communities to take part-ownership in privately-held assets, such as a large scale energy project or a professional football club. BCCM hosts a range of relevant free resources at [bccm.coop](http://bccm.coop) including:

- [Community Investment in Co-operatives](#) handbook, updated in 2021 to reflect recent regulatory improvements for co-operative investment.
- [Co-op Builder](#) tool to guide groups through the legal documents needed to form a co-operative.
- [Capital Builder](#), for co-operatives seeking to explore raising new capital through shares, debentures or Co-operative Capital Units.

### Case study: Goulburn Community Energy Co-operative

Formed in 2020, Goulburn Community Energy Co-operative is developing a \$4.2 million solar farm and battery installation.

The project is being financed through a \$2.1 million grant from the NSW Government, matched by investment in shares to the same value by co-operative members.

The minimum buy-in for shares is \$400.