



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Tackling Climate Change in Victorian Communities

Submission to the Legislative Assembly Environment and
Planning Committee

Table of Contents

1	Overview.....	2
2	What are co-operative and mutual enterprises (CMEs) and why are they important contributors to tackling climate change?	3
3	Response to Terms of Reference.....	6
4	Recommendations.....	9

About the BCCM

Formed in 2013 following the United Nations International Year of Co-operatives, the Business Council of Co-operatives and Mutuals (BCCM) is the peak body for Australian co-operatives, mutuals and member-owned enterprises. The BCCM represents a diverse range of enterprises operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms, and implementation of the Hammond Review recommendations to improve access to capital for CMEs. The Hammond Review recommendations were implemented in April 2019, with the passing of the Treasury Laws Amendment (Mutual Reforms) Act 2019.

1 Overview

The Business Council of Co-operatives and Mutuals (BCCM) is pleased to make this submission to the Legislative Assembly Environment and Planning Committee inquiry into Tackling Climate Change in Victorian Communities on behalf of the co-operative and mutual sector.

Co-operative and mutual enterprises (CMEs) are community owned self-help organisations that form to meet the common economic and social needs of a group of people or businesses. They are globally-recognised vehicles for pooling community capital and resources, creating decent work and sustainable, locally-owned consumption and production of goods and services in the process.

The UN International Day of Co-operatives in 2018 celebrated the contribution of co-operatives to sustainable production and consumption.

The ILO recognizes the contribution of co-operatives to decent work, including through its recommendation on the promotion of co-operatives, its longstanding co-operatives unit and the renewal of its partnership with the International Co-operative Alliance earlier this year. The creation of dignified work is an important plank in ensuring communities have confidence and resources to tackle climate change that co-operative ownership delivers.

Victoria has a proud history of a strong co-operative movement. Victoria has the second highest number of co-operatives in Australia and is home to Australia's first 100 per cent community owned renewable energy business, Hepburn Wind.

The intrinsic qualities of co-operatives mean they are natural allies in fighting climate change, especially considering their long-term commitment, their resilience, and their capacity to simultaneously act on several levels. As enterprises rooted in their communities, they create the social license for action on climate change.

As the case studies provided later in this submission demonstrate, communities are tackling climate change through a range of new and well-established co-operative and mutual enterprises.

Our submission covers the following key points while responding to the terms of reference:

- **The co-operative and mutual structure is designed to deliver sustainable social, economic, cultural and environmental outcomes for members and the community**
- **The co-operative and mutual structure is ideal for for community action on climate change because it embeds community ownership, responsibility, control and benefit.**
- **Co-operatives and mutuals provide a social license for action on climate change**

We hope that the Committee recognises the important role co-operatives and mutuals have played, and will play, in providing community-based responses to climate change in Victoria, Australia and globally. We would be happy to provide further information to the Committee on any points raised in this submission.

2 What are co-operative and mutual enterprises (CMEs) and why are they important contributors to tackling climate change?

The co-operative and mutual structure is designed to deliver sustainable social, economic, cultural and environmental outcomes for members and the community.

CMEs are businesses owned by or on behalf of their customers, employees, a group of like-minded producers or a combination of these. They are self-help enterprises that form to meet the common economic and social needs of a group of people or businesses. Often the group's needs are not being met due to various kinds of market failure.

There are 1.2 billion members of co-operatives globally.¹ In Australia there are more than 2,000 co-operatives and mutuals with a combined membership base of more than 14.8 million.²

The global co-operative sector has developed principles which help guide co-operatives to meet the common economic, social and cultural needs of their members and the community sustainably. It is the only business sector to have globally agreed set of principles guiding business mission and structure. The global peak body for the sector, the International Co-operative Alliance, has committed the sector to a range of sustainability actions.

In Australia, the international co-operative principles are incorporated into the Co-operatives National Law. **The co-operative principles embed community ownership, responsibility, control and benefit** (Principle 7 in particular, commits a co-operative enterprise to consider the needs and interests of the wider community and environment in which it operates):

1. Voluntary and Open Membership

Co-operatives are open to all persons able to use their services and willing to accept the responsibilities of membership, without discrimination.

2. Democratic Member Control

Co-operatives are controlled on the basis of 1-member, 1-vote, with the board having a majority of directors elected by and from the membership.

3. Member Economic Participation

Members contribute to the capital of their co-operative.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members.

5. Education, Training and Information

Co-operatives provide education and training for members, directors and staff.

¹ For this and other global statistics about the co-operative movement, see <https://ica.coop/en/facts-and-figures>

² <http://bccm.coop/wp/wp-content/uploads/2017/11/BCCM-2017-NME-Report.pdf>

6. Co-operation among Co-operatives

Co-operatives are most effective when they work with other co-operatives locally, nationally and internationally.

7. Concern for Community

Co-operatives work for the sustainable development of their communities.

Broadly speaking, there are three types of co-operative and mutual enterprise – customer owned, worker owned and producer owned - that deliver sustainable production of goods and services to the key stakeholders

Customer owned: The objective is service quality and price, rather than profit maximisation. Australian examples including energy producers (e.g. Hepburn Wind), customer-owned banks (Bank Australia), health insurance (HCF), retail (Emerald and District Co-op), and mobility clubs (RACV).

Worker owned: The objective is high quality employment that incentivises employees, provides work place democracy and shares wealth, often whilst pursuing social goals like environmental sustainability or environmental health. Australian examples are Redgum Cleaning Cooperative, and refuse shop operator, Resource Work Cooperative.

Producer owned: The objective is to enable groups of small businesses to work together to operate in markets that they could not enter alone or would otherwise be dominated by large investor owned firms. Many such co-ops exist in agricultural production, where co-ops enable smaller producers to combine their efforts to compete. Well known examples are Co-operative Bulk Handling (CBH) and Norco Co-operative.

In recognition of the social and economic achievements of the co-operative sector, in 2012 the United Nations held the International Year of Co-operatives. The co-operative sector became the only business sector to receive such recognition from the UN, because, in the words of then-Secretary General Ban Ki-moon:

‘Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.’³

Co-operatives and mutuals provide a social license for action on climate change.

Evidence from Denmark and Germany shows that as the share of co-operative ownership of renewable energy increases, renewable energy as a proportion of total energy production increases.⁴ If Victoria wishes to become carbon neutral, it must put energy production in the hands of communities. Further, community owned projects have been shown to deliver superior benefits to the local community and to the economy more broadly than investor owned projects. This is reinforced by research by Ernst & Young which has found that co-operatives create substantial additional value for the local economy they are operating in compared to other corporate models.

There are extensive benefits to developing large-scale energy projects with communities rather than developing them for communities. For example community acceptance of wind farms “has

³ <https://social.un.org/coopsyear/>

⁴ Business Council of Co-operatives and Mutuals (2016) Submission to the Economic, Education, Jobs & Skills Committee inquiry into Community Energy Projects

been shown to increase when there are clear benefits flowing back to the local community, changing the common objection of ‘big business’ invading landscapes for profit at local people’s expense”. This is particularly important in Victoria where community groups such as ‘Stop These Things’, an anti-wind farm group, have been effective as an anti-wind farm lobby. Such groups have legitimate concerns around investor-owned companies entering rural communities purely in order to “line their pockets”. Wind energy’s general acceptance in Denmark and Germany has often been attributed to the distribution of wind farm ownership across hundreds of thousands of individual participants, often through co-operatives.

Wind power supplies almost 20% of Denmark’s energy, of which 80% of the turbines are owned by households and communities. Similar developments have occurred in Minnesota in the USA – since co-operative ownership of wind energy was introduced, Minnesota has become one of the country’s top wind energy producers. If renewable energy is owned by a co-operative which is representative of the community, this creates a social licence to operate in that community. Promoting this model of community energy would therefore help to achieve a more rapid scaling up of the community energy sector, as well as of the renewable energy sector more generally. For example the Coonooer Bridge wind farm located north-west of Bendigo, which will supply the ACT, is jointly owned with landholders neighbouring the project. It is the first renewable energy project in the country with an ownership structure that includes the local farming community in this way. As a result, community opposition to the project has been low.

3 Response to Terms of Reference

According to the Climate Council priorities for tackling climate change include:

1. Energy – Production, use and efficiency
2. Ensure funds are invested more in Australia’s growing renewables sector
3. Food sustainability like eating less red meat and reducing food waste

Community owned co-operatives and mutuals are taking action in response to each of these priorities.

Case studies of urban, rural and regional community action on climate change through co-operative and mutual enterprise

Community owned energy production: Hepburn Wind



CASE STUDY

Hepburn Community Wind Park Co-operative Ltd



Size: \$13.5 million

Hepburn Community Wind Park Co-Operative Ltd (trading as Hepburn Wind) built and operates Australia’s first community-owned wind farm in Leonards Hill, Victoria. The wind farm has been generating since June 2011 and is funded by the Victorian Government, Bendigo Bank, Embark Australia, and over 2,000 member shareholders. Hepburn Wind was established by the Hepburn Renewable Energy Association (now known as the Sustainable Hepburn Association – Renewing the Earth (SHARE)), a community organisation who together with a developer established the co-operative, obtained the planning permit, raised capital for the project and initiated the necessary construction contracts. Hepburn Wind manages the wind farm and sells its electricity to Red Energy (an Australian electricity and gas retailer), which offers a ‘community saver’ product using the electricity generated by the wind farm.

Purpose of capital	To develop, own and operate Australia’s first co-operatively owned wind farm
Sector	Energy
Geography	Leonards Hill, Victoria, Australia
Scale of impact	2,200 households in Daylesford and Hepburn Springs
Timeline	In late 2005, a windfarm developer held a community consultation regarding a proposed windfarm in Clarke’s Hill (another area in north-western Victoria, also near Daylesford). At the time, the proposal received strong community opposition, much to the disappointment of some Daylesford residents. A local architect and Daylesford resident, determined to pursue the idea further, formed a steering group and began to look for developers who might be interested in the co-operative model. In December 2009, two turbines were ordered and a construction contract signed in April 2010. The turbines were erected in March 2011 and began generating power in June 2011. It is Victoria’s ninth wind farm and the first in Australia to be initiated and owned by a community.

THE INVESTMENT

Investors	Over 2,000 member shareholders, the Victorian Government, Bendigo Bank and Embark Australia
Investee	Hepburn Community Wind Park Co-operative Ltd
Investment structure and terms	<p>Private investment</p> <ul style="list-style-type: none"> • \$9,900,000 from members (membership co-operative) <p>Corporate capital</p> <ul style="list-style-type: none"> • \$3,100,000- bank loan from Bendigo Bank in Daylesford (10 year term) <p>Other</p> <ul style="list-style-type: none"> • \$1,000,000 - debt guarantee from Embark Australia <p>Grants</p> <ul style="list-style-type: none"> • \$975,000 – Victorian Government, Sustainability Victoria’s Renewable Energy Support Fund • \$750,000 – Victorian Government, Regional Development Victoria’s Regional Infrastructure Development Fund
Arranger/Lead	Combination
Source of deal	The idea was ultimately driven by a small group within Daylesford, who combined with Future Energy (a developer) to bring the idea to fruition. The association garnered local support for the wind park through educational activities, including community forums, personal visits to neighbours, information meetings, bus tours, festival displays, newsletters and fortnightly street stalls in Daylesford’s main street. A diverse range of service providers were engaged to deliver the key planning, construction and compliance elements of the project, whilst the community group focused on the capital raising.

THE IMPACT

Social, cultural or environmental impact	<p>The benefits from such a large project are substantial and varied, including:</p> <ol style="list-style-type: none"> 1. Environmental benefits. Hepburn’s twin turbines ‘Gale’ and ‘Gusto’ have a combined capacity of 4.1MV and can produce enough electricity to power approximately 2,300 homes. 2. Community engagement. Hepburn Wind’s community engagement is unprecedented for any wind farm in Australia. Aside from various educational activities in bringing the project to fruition, staff and volunteers are part of the community and can be called on over a sustained period. 3. Regional economic benefits. Profits from the project remain in the community as dividends returned to investors and through the Hepburn Community Fund. The Community Fund provides grants for community projects and strengthens the environmental, recreational, cultural and educational sustainability of the local area. The project has contributed more than \$15,000 per turbine annually into the fund and, with indexing the total contribution will be more than \$1,000,000 over the next 25 years. The partnership with Red Energy also sees \$12.50 contributed to the Community Fund for every bill paid on time during the two year benefit period. 4. Local jobs. Hepburn Wind has created 3 ongoing part-time roles. 5. Community empowerment. Direct ownership of the wind farm changes attitudes at the local level, and leverages committed individuals giving them a positive outlet for climate action. 6. Model for others. The success of the wind farm provides a blueprint for other communities to follow and implement environmentally friendly energy sources.
--	--

FINANCIAL RETURN

Financial return	No financial dividends claimed this financial year as the organisation has focused on paying down debt. Hepburn has reduced its bank loan from \$3.1m to \$1.2m since operating.
------------------	--

OTHER

Future opportunities	As a trading co-op, Hepburn Wind remains open to impact investors.
More information	http://www.hepburnwind.com.au/

Community owned energy production: Energy Innovation Co-operative

Energy Innovation Co-op has been operating since 2009 with a mission of “working together towards a zero emissions community”. Most but not all its 300 + member/shareholders and activities centre on Bass Coast and South Gippsland Shires. EICo-op owns solar panels and sells the energy, and provides loans for the purchase of private solar panels.

Community owned energy retail: Co-operative Power Australia

Co-operative Power was formed by a group of Victorian co-operatives and trade unions to provide a community-owned, ethical energy retailer alternative. The co-operative aims to provide pricing benefits to customers while encouraging the transition to clean and sustainable energy generation.

The co-operative currently has a partnership with Powershop to deliver its energy retailing services.

Worker-owned green manufacturing and services: Earthworker Co-operative and its member co-operatives

Earthworker Co-operative is committed to developing a network of sustainable worker-owned enterprise throughout Australia. Earthworker believes social and environmental exploitation are intertwined, and that the problems of climate change, job insecurity and growing inequality must be tackled simultaneously, through greater grassroots economic ownership.

In line with this view, Earthworker has supported the development of Australia's first worker-owned factory making renewable energy appliances and components, the Earthworker Energy Manufacturing Cooperative.

Earthworker also supported the formation of Redgum Cleaning Co-operative. Redgum is worker-owned and uses sustainable cleaning products and methods.

Sustainable consumption of goods and services: Beechworth Food Co-op

Beechworth Food Co-op is one example of many community owned food co-ops in Victoria. The co-operative contributes to food sustainability by:

- Providing a means for local producers to sell direct to local consumers
- Reducing packaging and food miles
- Encouraging local food security
- Educating members and the community about sustainable production and consumption practices

Sustainable consumption of goods and services: Emerald and District Co-operative

The Emerald and District Co-operative is a customer-owned retailer that has been in operation since 1945. It runs a Mitre 10, Bendigo Bank agency and real estate agency. The co-operative has installed 30 Kw of solar panels and updated the lighting to LED and induction high bay lighting, which has delivered economic and environmental benefits for the co-operative, its members and the community.

Sustainable consumption of goods and services: bHive Bendigo Co-operative

bHive Bendigo is Australia's first platform co-operative, recently receiving a grant to develop a co-operatively owned sharing app for Bendigo that will encourage efficient use of existing resources in the community. It is also in the process of developing a co-operative car sharing system for local businesses that will deliver economic and environmental benefits.

As bHive is a locally-owned co-operative, the benefits of any platforms and services it develops will stay with local user-members and the community.

Community owned sustainable finance: Bank Australia

Bank Australia is a member owned bank headquartered in Melbourne, with national lending and contracting centres in the Latrobe Valley and a contracts processing team based in Bendigo.

Bank Australia is committed to tackling climate change by:

- investing in the Bank Australia Conservation Reserve, which is a world-first environmental project for a bank that is collectively owned by its customers
- using the Conservation Reserve to offset the environmental impacts of new home constructions the bank finances

- staying carbon neutral since 2011 and minimising the environmental impact of buildings and the activities of staff, guided by the bank's Environmental Policy
- Bank Australia is the first bank in the world to sign onto all seven climate commitments under the We Mean Business climate leadership platform
- promising to never make any loans to the fossil fuel industry, including coal and coal seam gas projects.

Bank Australia's entire Australian operations have been running entirely on renewable electricity from 1 April 2019. They have solar on the head office in Melbourne (88 solar panels), Echuca and Swan Hill branches, and National Contact Centre in the Latrobe Valley (110 solar panels). Bank Australia has a 10-year agreement to purchase renewable electricity with the Crowlands Wind Farm as part of the Melbourne Renewable Energy Project.

Community owned sustainable finance: Bank First

Bank First, a member owned bank headquartered in Melbourne, provides lower interest rates on Green Car Loans to incentivise its members to purchase lower-emission vehicles. The lower interest rate is available to cars with CO₂ value of 180 g/km or less. Generally, this will include new cars, hybrid cars or cars that have lower emissions for their size.

Community owned sustainable finance: the Organic and Regenerative Investment Co-operative

The Organic and Regenerative Investment Co-operative (ORICoop) is an innovative organisation, focussed on increasing community investment into organic and biodynamic farmland.

ORICoop works with organic farms and supports organic & biodynamic farmers to maintain their farms for the long-term.

4 Recommendations

1. Streamline co-operatives regulation in Victoria

The commencement of the Co-operatives National Law (CNL) from 2014 onwards has modernised co-operatives regulation in Victoria. CNL is now operation in all jurisdictions except Queensland.

CNL allows for cross-border trading without dual regulation of co-operatives, as had previously arisen, including in relation to capital raising. It reduced the administrative burden on small co-operatives by introducing 'small co-operative' and 'large co-operative' categories. The CNL also introduced flexible new Co-operative Capital Units that can facilitate public investment in co-operatives without the loss of co-operative purpose and member ownership.

Despite these positive steps to remove regulatory barriers and improve access to capital for co-operatives, there are a number of regulatory barriers that are hindering the formation and growth of co-operatives in Victoria, including:

- Uncertainty about the role of co-operative registries and ASIC in relation to public and cross-border offers of securities by co-operatives. Uncertainty about dual regulation undermines the confidence of co-operatives to raise capital. *Co-operative registries, including Victoria, should confer with ASIC to clarify the matter.*
- Victoria's co-operative registry processes are paper-based. *Victoria should take steps to modernise these processes, including by committing to make an administrative referral of*

co-operative registry functions to the Commonwealth Registrar proposed by the Commonwealth's Modernising Business Registers programme.

- Dual regulation for Victorian co-operatives trading (including seeking investment) in Queensland.

The BCCM recommends that Victoria raise these matters at the next COAG Consumer Affairs meeting.

2. Encourage community capital raising through co-operatives

Co-operatives have a track record of allowing communities to responsibly invest in their own sustainable infrastructure, as evidence by Hepburn Wind. However, there is a lack of knowledge about using co-operative capital raising mechanisms and instruments to develop community owned infrastructure such as new renewable energy generation.

The BCCM recommends a one-off support for the development of a co-operative crowdfunding platform, developed with the co-operative and mutual sector, that can support community capital raising using co-operative shares, debentures and Co-operative Capital Units. These instruments may be open to impact investors. The platform should be self-funding within three years.

3. Ensure co-operatives are recognised in government business programmes and websites

The BCCM recommends an audit of government business support services and websites to make sure co-operatives are appropriately included wherever information about business legal models and business formation is provided. This includes ensuring the co-operatives website hosted by Consumer Affairs Victoria provides adequate information and guidance for co-operatives, including about capital raising and disclosure requirements.

The BCCM recommends an audit of all government-funded business centres to ascertain the level of expertise in relation to co-operatives. Where there is a lack of expertise, those agencies should engage the BCCM to arrange training and the development of appropriate information and resources. Expertise should extend to capital raising for co-operatives using shares, debentures and Co-operative Capital Units.

Contact:

Anthony Taylor
Policy Officer

info@bccm.coop; (02) 8279 6052