Welsh Government
Call for Evidence – summary of responses

Locally owned renewable energy

December 2018
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Overview


The purpose of the call for evidence was to seek evidence from stakeholders about what benefits renewable energy generation are currently providing to Wales and identify how new generation could benefit Wales in an equitable way. We also sought evidence to inform how Welsh Government could support the development of more locally owned generation, including shared ownership models, to support our Renewable Energy targets published in 2017.

We received 30 written responses to the call for evidence from 13 third sector organisations, one community group, seven developers, five individuals and four public sector bodies. We also held two workshops to add context to the call for evidence and provide additional opportunities for people to respond. These were held in north Wales on 12 February and south Wales on 26 February. A total of 46 people attended the two workshops.

We have fully considered and analysed the information and evidence provided through written responses and the events. We also met respondents who wished to discuss specific issues they raised in responses. Though we have considered references and case studies provided, we have been unable to verify the accuracy of some contributions due to the lack of published information. For clarity, in some cases evidence provided in response to one question has been considered as part of another section where it was more relevant.

As some of the information received in responses to the call for evidence was provided in confidence and contains commercially sensitive information. This report provides a summary of the evidence provided to us, along with our response to the evidence and views received, and the actions we will take as a result of the evidence. The summary of evidence provided does not reflect the views of the Welsh Government, which is provided separately following the summary.

The Welsh Government would like to thank stakeholders for their constructive and useful contributions in this process.
Section 1: Targets

Please click here to read Section 1 of the Call for Evidence

Question 1: Please provide evidence to support or reject expanding the 1GW target to encompass both electricity and heat projects.

The majority of respondents to this question supported expanding the 1GW target to encompass both electricity and heat projects. However, it was felt that including heat within the 1GW target would dilute the target and be less ambitious, and a separate heat target should be established. An alternative approach put forward was to have a combined target for heat and electricity and increase the level of the target from 1GW.

Many comments referred to the challenges for electricity and heat being substantially different. Decarbonising heat will be a harder and longer process and a separate heat target would encourage the necessary heat policies to be developed.

Reference was made to the UK Climate Change Committee’s recommendation that Welsh Government should develop a heat strategy. One respondent highlighted a quarter of energy demand in the UK was for heat (space and water heating) and a target for heat would help drive decarbonisation of heat.

Agriculture was identified as an important contributor to locally owned energy and as having much potential to decarbonise the rest of the economy through land-based renewables. However, many challenges would need to be overcome if this potential was to be realised, such as planning, grid, consenting and incentives.

One respondent highlighted there are only a few community energy projects delivering heat. This was supported by the 2017 State of the Sector report commissioned by Community Energy England, which found 12 out of 269 activities across England, Wales and Northern Ireland were related to heat. Narberth Energy was given as an example of a heat project in Wales.

Some of the considerations identified by respondents in considering a target for locally owned heat were:

- developing and regulating heat networks
- sustainable production and supply of biomass
- future of gas networks
- heating poorly insulated buildings
- high upfront costs and lack of knowledge about renewable technologies.

One of the respondents suggested a certain percent within the overall 1GW target should be wholly community owned. Another response suggested a Local Authority target, with community owned energy contributing a certain percentage of that target.
**Welsh Government Response**

Heating constitutes a major part of the decarbonisation challenge, as heat accounts for almost half of UK energy use and a third of UK carbon emissions. Levels of renewable heat generation in Wales are low: in 2016 there was an installed capacity of 177 MW of renewable heat.

Planning Policy Wales reflects the need to consider decarbonising heat as part of new developments. We are also supporting a number of public sector and community heat projects through our Welsh Government Energy Service and Smart Living programme of demonstrators.

However, there is currently a lack of evidence on which to base a separate heat target. In addition, the focus of the incentives bringing forward new heat generation are generally at the larger scale, which are not necessarily appropriate for Wales. We anticipate a significant drop in new generation over the next few years as UK wide renewable energy incentives are reduced or closed, making it significantly harder to achieve the 1 GW target.

**Welsh Government Action**

We will widen the target to include heat, retaining the ambitious 1 GW target, with the option to review the level of the target if progress is faster than anticipated.
Question 2: Please provide evidence on the level of ownership we should consider reasonable to fulfil the requirement.

There was consensus amongst respondents that shared ownership is a positive approach and can provide many local benefits. The responses indicated a strong desire for there to be an element of local ownership in all future renewable energy projects sited in Wales. It was suggested at the very least local people must be given the opportunity to buy shares.

However, there were a range of opinions on the level of ownership that is reasonable.

The majority of responses indicated the level of ownership required should be flexible and relevant to the project. One respondent stated for smaller schemes such as roof-mounted PV and micro hydro, 100% local ownership should be achievable and should be aimed for. However, for very large projects the high capital requirements make a high level of local ownership more challenging.

Other respondents put forward the notion of a sliding scale of investment based on capacity (MW), total investment cost, location or rate of return. An example given was that a relatively small percentage investment in a large-scale commercial wind farm project may represent a very significant actual capital investment, whereas a wholly locally-owned hydro project could be delivered for a much lower actual capital investment.

Respondents avoided giving an exact level of ownership they considered reasonable. A controlling share or local authority ownership was suggested by one respondent. Another respondent felt setting a fixed level or percentage for shared ownership could cause difficulties for communities and developers, whilst another respondent felt an appropriate minimum threshold for local ownership should be set to avoid ‘token ownership’.

Many of the responses from developer organisations highlighted that each project and community is different and in some cases shared ownership may not be attractive enough for the community to take on the risk and effort. It was suggested in these cases developers and communities should be able to take different routes, for instance negotiating an appropriate level of community benefit payments. An expectation, rather than a target, may be more prudent.

A number of developers believed the requirement for local ownership should be expressed as an obligation for a developer to make all reasonable efforts to seek and promote local ownership in a development. It should not be an absolute requirement, such that a project is not allowed to proceed if local ownership cannot be implemented. A number of the responses alluded to the many reasons why local ownership may not be taken up in practice. They deemed it appropriate in these situations to require the development to demonstrate how they are ensuring local benefits will be delivered.

One response raised the urgency of climate change, believing the fundamental principle and the primary goal should be to increase the amount of renewable energy
generation. The respondent felt potential benefits such as local ownership must be secondary and should not hinder deployment of projects.

**Welsh Government Response**

One of the fundamental aims of a local ownership target is to increase the value retained in Wales from additional generation. If the target deters generation that has a net negative impact, then that is in line with increasing Wellbeing in Wales. However, we have set ambitious targets for renewable generation, in anticipation of increased demand from transport and heat along with the reduction of fossil fuel generation in future. Our work on energy efficiency looks to minimise the increase in demand, which will mitigate the need for new generation. The policy intent is not to deter development, but rather to ensure new developments provide Wales with a fair and proportionate share of benefit in return for hosting them.

This will require a degree of transparency on the part of developers wishing to operate in Wales. No evidence was received as to the overall value of renewable energy developments, the return on investment, or the relative value of community benefit compared to ownership of the whole development. However, the understanding we have developed from the projects we have directly supported in the public and community sectors leads us to consider that ownership, and participation in the early and riskiest stages of development, creates the majority share of benefit.
The above diagram illustrates the relationship between risk and reward. This indicates retaining value will be best served by Welsh organisations identifying the opportunity for new development, and taking it forward under Welsh ownership using Welsh finance. We would expect generation at the local scale to be developed and owned by Welsh organisations. We would expect shared ownership to be considered in relation to very large scale developments. In this case our expectation would be for local authorities and communities to consider the opportunities within their area, and procure a partner to deliver or co-own projects.

We are already supporting and encouraging public sector and community organisations across Wales to recognise and understand the value and risk attached to energy opportunities, and to actively decide what role they wish to play in their development and operation. We will consider how this work can be upscaled to maximise Welsh involvement in energy development.

**Welsh Government Action**

Welsh Government will publish a policy statement setting out the purpose that the expectation for local ownership is intended to achieve. This statement will describe a range of solutions and models, in recognition of the variety of potential approaches and the capacities and needs of different communities and places. The statement will be supported by guidance on delivering the expectation.

The Policy Statement and guidance will outline a range of approaches to ownership, prioritised in order of the local value each is likely to capture and recognising the level of risk and engagement they require from local partners.

We will establish a working group to develop the guidance and input to the policy statement.
Question 3: Please provide evidence to support or challenge expanding the expectation on shared ownership to encompass other new electricity and heat projects.

Generally, respondents were in support of expanding the expectation on shared ownership to include other new electricity and heat projects. No reason was put forward to exclude new heat and electricity projects, with a number of respondents highlighting the importance of including heat projects. One respondent provided the rationale that heat distribution happens on a much more local scale, so there is far more incentive for local people to engage with heating projects.

Although the inclusion of heat projects is supported, respondents indicated separate heat and electricity targets should be established. Similarly, a number of responses deemed it reasonable for other non-renewable forms of heat and electricity generation to have the same level of shared ownership expected of them as renewable energy projects.

Two respondents suggested Welsh Government should push for opportunities to be made available for shared ownership of offshore wind energy.

Offshore wind was also given by other respondents as an example of an industry where there is an opportunity for significant improvement in shared and local ownership. Reference was made to a report which highlights limited local or national ownership in many of the UK offshore wind farms.

Respondents considered energy storage should also be considered for shared ownership, with pumped storage, battery storage and hydrogen storage considered as developments that may present an opportunity for shared ownership. One response suggested the Welsh Government could consider whether there is merit in broadening the remit to include electricity and gas networks.

One respondent referred to the domination in the UK of the energy system and renewable energy developments by a few large private companies being in contrast to the situation elsewhere. Reference was made to ownership globally:

- In Germany around half of renewable energy is reportedly owned by citizens or municipalities. Link to reference.
- In Denmark around three-quarters of wind turbines have been under some form of community ownership. Link to reference.
- In the United States around a quarter of all electricity is generated by co-operatives or public power utilities. Link to reference.

One respondent was against local ownership targets, suggesting they can be socially divisive and increase social inequality. With reference to electricity, the respondent considered fuel poverty would increase and a two tier electricity system will develop, with the poor paying more for a less reliable supply and the better off able to buy their own storage. Along similar lines, another response suggested locally owned energy projects tend to be established in more affluent communities which are often better placed to access finance and capitalise on the opportunities; less well-resourced communities need practical support to develop the schemes.
One respondent made reference to the challenges to expanding the expectation on shared ownership:

- Different organisations have different interests in the scheme.
- A business model would need to be developed that works for both or all the scheme’s owners.
- Transparency in the whole process, starting from construction phase to customer billing phase, is important to establish trust.

**Welsh Government Response**

There is support for expanding the expectation of an element of local ownership to all types of new energy generation and storage. We believe restricting the expectation to renewable energy only could be seen as discriminatory. By broadening the expectation, Welsh Government aims to further increase the potential level of benefit retained and achievement of wellbeing outcomes.

The Welsh Government Energy Service, and previously the Local Energy Service, have targeted less well-resourced communities to ensure they received the help and support they require, through proactive targeting, for example through the Valleys Taskforce initiative.

There were several observations about different patterns of ownership in other countries. Whilst these have not yet been fully explored, Welsh Government’s discussions with one regional body in Germany supporting community energy highlighted that the majority of what is referred to as community energy is generally owned by municipal energy companies. These local authority energy companies were not privatised in Germany as they were in the UK. The challenge of reinstating locally owned energy companies in the current highly competitive market has already been addressed in the Welsh Government’s previous work on “An Energy Company for Wales”.

**Welsh Government Action**

Welsh Government will clarify the expectation on local ownership within the policy statement on ownership. In response to the evidence and views received, we will expand the expectation to include all types of generation, in the interest of ensuring a level playing field. Welsh Government acknowledges this will present challenges, particularly for large scale developments, for example Wylfa Newydd. However, the principle of such major developments providing benefit to Wales has been well established, with a significant effort by Welsh Government to ensure Wales captures appropriate and long term benefits from Wylfa Newydd. As previously stated, the guidance will set out a range of solutions and models, in recognition of the variety of potential approaches which could deliver benefit to Wales.

The Welsh Government Energy Service will ensure that less well-resourced communities will receive the help and support they require to participate in a more locally owned energy system.
Section 2: Definitions

Please click here to read Section 2 of the Call for Evidence.

The diagram below illustrates some of the potential relationships between the definitions covered in this section

Ownership

Local ownership

Question 4. Do you agree with the definition of local ownership above? Please provide evidence to support or amend the local ownership definition

Table 1 Respondent's views on Qu. 4

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<th>Number of respondents</th>
<th>% of those expressing an opinion</th>
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<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>4.76%</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>47.62%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>4</td>
<td>19.05%</td>
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<tr>
<td>Disagree</td>
<td>5</td>
<td>23.81%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>4.76%</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>52.38%</td>
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52.38% of respondents to this question agreed or strongly agreed with the proposed definition. Those agreeing with the definition appreciated its breadth and flexibility to allow a diverse range of local ownership initiatives to develop. One respondent welcomed the broad definition, which would widen the access to benefits to all classes, including public, private, non-governmental organisations, charities and households. One respondent highlighted how farmers in Wales, as managers of the 80% of the land area of Wales, were well positioned to make a key contribution to the local ownership of renewable energy target.
A developer recommended, whilst local ownership would ideally be within the immediate vicinity of a project, a broader, Wales wide, geographical approach would be required to meet project targets and the overarching Welsh Government targets. In many rural areas, the locally available money for investment is likely to be small compared to the capital cost of construction. Arguably, it would be better to broaden the investment catchment area rather than constrain the investment to a very small percentage of the overall investment amount. Others considered that only investment from Welsh bodies should be considered as being within the definition.

28.57% disagreed or strongly disagreed with the proposed definition. Of those disagreeing, most disagreed because they felt the definition was too simplistic and open to abuse, which might result in profits and benefits leaving Wales. Respondents were also concerned about social equity, and those with most resources benefiting more than less affluent, increasing inequality in Wales. Examples of unintended beneficiaries suggested were:

- Large landowners, some of whom may not reside in Wales.
- Wealthy individuals or companies.
- Those with substantial resources in terms of land assets or time to create or participate in a formal structure.
- Businesses based outside Wales, who may establish a subsidiary company in Wales.
- Investors outside Wales, who might create a company with a Welsh address.

Respondents thought local ownership should incorporate people and entities based in Wales and provide benefit to Wales, its people and communities. One respondent was keen for benefits to remain within the immediate vicinity of a project, whilst another felt owners’ operations should remain in Wales for the duration of the project.

A respondent thought Welsh Government should ensure local ownership asset holders should provide evidence of benefits to the people of Wales, whilst another felt progress would be delivered by setting targets for delivery of specific benefits such as jobs, employment, renewable energy technology for local communities, contracts and apprenticeships.

A third sector organisation thought planners should be required to give weight to local economic benefit, as in Scotland, but also incorporate non-financial benefits and Well-Being of Future Generations (Wales) Act 2015 indicators.

To avoid unintended beneficiaries, one respondent thought the wording “Small and Medium-sized Enterprises (SMEs), including farms and estates, based in Wales which have been trading for a minimum of three years” should replace ‘Businesses based solely in Wales; Businesses whose principal headquarters are based in Wales; and Farms and Estates’. Another felt a turnover limit should be included in the definition for ‘local businesses’ to avoid large businesses which are not local from benefiting from local ownership. Another respondent felt the term ‘wholly owned within Wales’ should be used to prevent shareholders from elsewhere.
A developer commented more detail was needed on the types of third sector organisations included in the list of potential owners, including social enterprises and cooperatives. The definition of charities should incorporate their subsidiaries, their trading arms and their Special Purpose Vehicles. They also suggested pension funds from Welsh organisations should be included.

A respondent felt the definition should emphasise householders should be given the opportunity to participate individually in larger schemes without having to commit time to forming and operating as part of a community group. Another highlighted that assets built with capital borrowed from outside Wales may appear to be locally owned, but in effect are externally controlled whilst they remain indebted to the lender.

**Welsh Government Response**

Welsh Government appreciates the importance of prioritising the needs of people local to a development, whilst also understanding that an investment “catchment area” may need to be broad to secure sufficient levels of investment. We will work with the stakeholders involved to develop guidance on striking the right balance between these requirements.

Concerns were raised about profits leaving Wales and so the definition has been tightened to reflect this. In respect of the concerns expressed about large companies or wealthy individuals benefitting from local ownership, whilst retention of benefit in Wales is the principal aim, the Welsh Government is keen to ensure opportunities and benefits from local ownership of renewable energy are accessible to everyone. The definition has been expanded to clarify the incorporation of more types of third sector organisation.

Based on the analysis of the call for evidence responses, officials recommend the following amended definition of local ownership:

“We define ‘locally owned” installations as energy installations located in Wales which are owned by an individual(s) or an organisation wholly owned and based in Wales or an organisation whose principal headquarters are located in Wales. This includes the following categories:

- Farms and estates
- Local Authorities
- Registered Social Landlords
- Businesses
- Other public sector organisations
- Third sector organisations including social enterprises and charities, their subsidiaries, trading arms and special purpose vehicles,
- Households and other domestic scale generation.
Shared ownership

Question 5. Do you agree with the definition of shared ownership above? Please provide evidence to support or amend the shared ownership definition.

Table 2 Respondent’s views on Qu. 5

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<thead>
<tr>
<th></th>
<th>Number of respondents</th>
<th>% of those expressing an opinion</th>
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<tbody>
<tr>
<td>Strongly Agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>52.63%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>5</td>
<td>26.32%</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>15.79%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>5.26%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
<td></td>
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</table>

A majority of 52.63% of respondents agreed with the proposed definition of shared ownership, whilst a minority of 21.05% disagreed or strongly disagreed. Those agreeing with the definition cited the benefits of partnerships supporting and enabling the development of renewable energy projects. A public sector body highlighted that shared ownership gives communities and local organisations interested in developing renewable energy projects the opportunity to achieve the scale of developments seen in the case of Germany and Denmark.

One respondent felt revenue sharing schemes should be included in the Welsh Government’s target for local ownership. In these models, the local community can benefit from a part of the revenue of the scheme without having to risk a significant amount of capital. This is particularly beneficial in deprived areas, where local communities are less likely to have access to capital and in need of active investment in projects to deliver direct benefits in the short term (e.g. on education or social care).

Those disagreeing with the definition for shared ownership mostly raised concerns in relation to safeguarding local people and ensuring the benefit was felt by those most needing it. Similar concerns to those raised in response to question 4 were also highlighted in response to question 5.

Respondents thought Welsh Government should include within the definition a percentage stake of a project for communities or individuals to hold to safeguard the interest and involve people who live and work in Wales, not external shareholders. Another respondent thought Welsh Government should take a similar approach to that taken in Scotland, involving people local to the development from the design stage onwards and offering an opportunity for them to become shareholders in energy projects.

Some respondents felt shared ownership should only include community or public sector organisations as partners, as these organisations are accountable to the local community and therefore are most likely to ensure ongoing delivery of local benefits. Opening this up to the private sector would leave it vulnerable to abuse. Shared ownership could also be between the public and community sectors, without the
need for a private sector partner. Another felt Energy Service Companies or Energy Supply Companies should be included.

A developer suggested, instead of requiring ‘one or more of the owning bodies to be one of the organisations or individuals included in the definition of “local energy”, the Welsh Government should require “one or more of the owning bodies or direct recipients of revenue to be one of the organisations or individuals included in the definition of “local energy”.

One respondent suggested businesses in Wales, especially large companies and multinationals, fall within the highest energy users and contributors to emissions and they should be supported to contribute to renewable generation in Wales through this target.

A developer proposed that clarity is needed to allow a project to demonstrate it has met the criteria with regard to the requirement to ‘include involvement of people who live and work in Wales and provide benefit to Wales’. However, sufficient flexibility is needed not to stifle developments should there be insufficient appetite or capacity from local partners. Another respondent suggested that if there is no Welsh partner within the scope of the definition, a community benefit fund should be used to provide equivalent benefit from the development. Shared ownership should include the ability to buy shares.

**Welsh Government Response**

In our view, shared ownership should involve people who live and work in Wales, and should provide benefit to Wales. Shared ownership might involve people local to the development, from the design stage onwards and offer an opportunity for them to become shareholders in energy projects.

We will work with the stakeholders involved to develop guidance to ensure developments should benefit those most in need where possible, as well as those impacted by developments. Support provided by the Welsh Government Energy Service will ensure those involved with developments are informed and protected as far as possible.

Comments regarding the benefits of revenue sharing models will be taken into account as work in this area progresses. Revenue sharing is not considered to be shared ownership but is another model allowing for retention of added value in Wales, which might be more appropriate for communities who do not have the appetite, capacity or resource to participate in shared ownership.

We consider the definition of shared ownership should not be prohibitively prescriptive, as we appreciate flexibility is key to finding solutions appropriate to a local area.

It is proposed to use the following amended definition:
“Shared ownership’ is a project owned by more than one legal entity. Examples exist where the ownership of a project is shared between a developer and a community group, individuals or a public sector organisation. Shared ownership projects can involve more than one commercial organisation. However, in order to be considered as a shared ownership project under the target set by the Welsh Government, we would expect one or more of the owning bodies to be in one of the categories included in the definition of ‘local ownership’.
Community Ownership

Question 6. Do you agree with the definition of community ownership above? Please provide evidence to support or amend the community ownership definition.

Table 3 Respondents’ views on Qu.6

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<th>Number of respondents</th>
<th>% of those expressing an opinion</th>
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<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>5%</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
<td>60%</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>65%</td>
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65% of respondents agreed or strongly agreed to the proposed community ownership definition whilst 25% disagreed or strongly disagreed with this definition.

A supporter of the proposal cited the importance of legal commitment of a social enterprise’s assets and profits to social and/or environmental benefits. They felt the definition permits community organisations to access resources, including funding, from beyond Wales, and this could be important for the future growth of the community energy sector.

Another supporter considered the model will allow investment of renewable energy scheme profits to deliver the social and environmental objectives in Wales.

One community organisation raised concerns about issues in the past where developers had set up Community Interest Companies (CICs) to benefit from the “5+5” solar farm opportunity. A policy the UK Government introduced in 2015 enabled two projects of up to 5MW each (10MW total) to share a grid connection and both benefit from the FiT, where one of the projects was owned by a qualifying community entity. The FiT and Renewables Obligation would otherwise be capped at 5MW. This created a positive financial incentive for both commercial developers and communities to engage in shared ownership. There were many examples across the UK where the developers set up new CICs rather than working with existing communities or community organisations to deliver these projects. This meant there could be less or no local control of the CIC and the benefits arising from the project.

A think tank proposed that every Community and Town Council should be expected to determine the local opportunity for new renewables for their community, with support from their respective local authority and Green Growth Wales. This would help ensure all communities have the opportunity to benefit from the energy transition. They noted there is an opportunity to consider this requirement as part of the Welsh Government sponsored Independent Review of the future role of Community and Town Councils.
A respondent proposed the following organisations could take part in shared ownership: ‘a charity; a subsidiary, wholly owned by a charity; a community benefit or co-operative society; or a community interest company’ located in Wales whose assets and profits are legally committed to the delivery of social and/or environmental objectives in Wales.’ Another respondent suggested explicitly including social enterprises in the definition.

A respondent considered the proposed community ownership definition to be closer to social/environmental focus ownership. The proposed definition would mean a community wishing to create a project for other purposes will encounter perception barriers, even though it is a community owned project. The respondent considered that communities wishing to spend time, money and effort to work together to develop a project for individual benefit should not be prejudiced by being unable to describe it as community owned. A structure, with ownership being held in the community, democratises energy and delivers benefits to wider society through increased local spend and investment and should be supported. Another respondent also suggested the social enterprise delivery objectives should not be limited to social and or environmental objectives, and might include economic development.

One respondent highlighted communities should be at liberty to elect where they choose to distribute their profits, whether inside or outside Wales. If the definition is adopted, it means they are not community owned, should they elect to distribute benefits outside Wales.

Another respondent felt the proposed definition would mean a community installation can only be owned by people living in Wales and only they can gain personal reward from it. The definition should be expanded to make it clear people from outside Wales (perhaps also from outside the UK) are welcome to invest in a Welsh community renewable energy installation, with all investors receiving the same return on their investment, however, dividends shall benefit Welsh communities.

A respondent highlighted storage projects should be incorporated into the definition. Another thought Welsh Government should broaden the range of legal entities to ensure the definition is flexible enough to encompass future innovation within the community energy sector and focus the definition more on the attributes of any organisation. Community owners or partners should be an organisation representative of a community in terms of geography, identity or interest and with an appropriate legal structure which ensures its assets and any profits are legally committed to the delivery of social and/or environmental and/or economic objectives in Wales.

One respondent felt any shared ownership project should be able to demonstrate clearly in its governance that there is no conflict of interest between the developer and the community partner in the project.
Welsh Government Response

It is proposed to use the following, amended definition of community ownership:

‘We define ‘community ownership’ of a renewable energy project as a renewable energy or renewable storage development located in Wales, which is wholly owned by a social enterprise whose assets and profits are committed to the delivery of social and/or environmental objectives.’

Welsh Government Response for section 2

Welsh Government notes the strong support from respondents regarding the definitions. We note the majority of comments focus on providing clarity about the intent, principles and outcomes. These responses have reinforced the need for guidance to support both those looking to develop projects and those making decisions about the benefits from shared ownership projects. The many helpful points raised by respondents have been reflected in amendments to the definitions and will be used to develop guidance.

We have already explored some opportunities for new generation by mapping areas of high energy demand alongside potential generation sites. As we further develop the Welsh Government Energy Service we will be evolving a better understanding of heat and power demand and how these can support development of more locally owned and shared ownership generation.

Welsh Government Action for section 2

We will publish the revised definitions within the Policy Statement on ownership.

Through the working group, we will work with developers and the various sectors included in the definitions to develop guidance, both for developing shared ownership schemes and to assist those making decisions to determine how effectively the policy intent is met by any specific project.

We will consider the role of Town and Community Councils in renewable energy development within the context of the Welsh Government sponsored Independent Review of the future role of Community and Town Councils.
Section 3: Evidence of Benefits of Ownership

Please click here to read Section 3 of the Call for Evidence

Question 7: Please provide evidence of benefits already being delivered for Wales from renewable energy projects.

Most of the respondents agree that developments provide both financial and non-financial benefits. Descriptions of these benefits, including some evidence and examples of renewable energy projects in England and Scotland, were provided.

Some respondents gave us specific examples of projects in Wales, both locally owned or where there is no local ownership but benefits accrue to the local community.

Many of these projects provide community benefit funds and also run share offer schemes to fund the project. One project has given some of the shares to local schools and other local organisations and supported two internships. The project has also supported a local charity and created one new role.

Other projects that have not included local ownership have highlighted that they have provided the following benefits:

- Local employment
- Apprenticeships and training
- Local businesses winning work through the construction of the wind farm
- Local projects that address priorities of the local population through community benefits and in kind funding
- Installation of renewable technology for local communities
- Research for higher education
- Educational visits to site and schools
- Community benefit funds

A report by the Department of Energy and Climate Change, commissioned in 2014, stated that community energy projects offered 12-13 times as much community value reinvested back as could be achieved through 100% commercial models.

A Financing Community Energy survey found community energy organisations across the UK were spending £10k/MW of income from installations on supporting local projects. In contrast, evidence was provided that the level of community benefit funds from commercial wind farms ranged from £4k to £10k/MW, although the community benefit funds from large wind farms tend to provide much larger sums overall than a small scheme can. The Economic and Social Impact of Small and Community Hydro in Wales report for the Hydropower Stakeholder Group highlighted that small scale hydropower schemes could generate as much as £300,000 of GVA/MW and up to 100 jobs per MW, which was considered to be double the figure for commercial schemes.

The 2017 Community Energy England report on the State of the Sector has highlighted that, to the end of 2016, the 52 community energy organisations
surveyed had delivered over £620,000 in community benefit. Another respondent highlighted that in 2016-17, community energy schemes across Wales, England and Northern Ireland generated £680,000 income for local economic, social and environmental benefit.

The report also highlights that less than £2 million of funding in early stage finance provided through programmes like Ynni’r Fro, Local Energy Service and the equivalent in England has leveraged in a further £135 million of investment into community energy projects. One third of this was raised through share issues.

Community energy has allowed individuals not in a position to install their own projects to have a stake in sustainable energy production through buying shares. Anecdotal evidence supplied indicates that projects in Wales have raised over £6 million through community share offers in the last 5 years. The State of the Sector report stated that up to the end of 2016, over £60 million has been raised through share offers across Wales and England.

However, as one respondent has highlighted, local benefits payments have depended on the Renewable Obligation and the Feed in Tariff payments. It is therefore difficult for projects not receiving these levels of support to generate financial surpluses to fund wider energy community development work.

One respondent provided anecdotal evidence that the introduction of FITs saw an increase in installation of renewable energy, principally by landowners, businesses and individuals able to afford the outlay.

The non-financial benefits from developments were also highlighted, citing benefits seen in England and Scotland as well as Wales. One respondent highlighted the Community Energy England State of the Sector report and the Community Energy Wales report, which provided several references demonstrating the benefits of community energy projects to communities. These included benefits such as increased social cohesion, empowerment, resilience, social well-being, transferable delivery skills, increase in volunteering, and their role in promoting wider awareness of energy related and climate change issues. Additionally, community renewable projects can build confidence and encourage communities to support other projects, such as community shops and pubs; increase awareness of broader energy matters; instil greater enthusiasm and a sense of purpose in the local community as well as making them more financially self-sustaining.

Further benefits were described in relation to renewable energy schemes owned by the community and run as community co-operatives and social enterprises:

- Improved community buy-in for the renewable energy project, as the community has a stake and voice in how the project is run and how community benefit funds are spent.
- Sale of electricity to fund local projects and to improve the scope for local distribution of energy, taking the learning from Energy Local pilot in Bethesda
- Care for the environment through the production of clean electricity and a commitment to preserving the local natural environment
- Increase in awareness of clean energy and climate change
- Reducing leakage of wealth from the local economy and acting as a catalyst for other community ownership in areas such as regeneration and economic development

Many respondents commented on the reduction of CO₂ output as a result of renewable energy projects. One responded quoting the Community Energy England State of the Sector report: 'Based on the annual generation values reported in this study, community energy projects have provided an emissions reduction of over 110,000 tonnes to date. This total equates to 1.2m passengers flying between Edinburgh and London or the annual emissions of 200,000 households.'

A couple of respondents highlighted anecdotal evidence that renewable energy has an important role in the agriculture sector, with the opportunity to diversify or receive payment from developers as landowners. One respondent went on to highlight the importance of the agricultural industry in the rural economy and how income from renewable energy projects can help build resilience in agricultural businesses as well as contributing to sector decarbonisation.

**Welsh Government Response**

The question in the Call for Evidence set out the range of potential ways renewable energy projects could provide benefit, and provided the following list:

- Ownership
- Local economic benefit
- Community Benefit Funds
- Investor Benefit
- Share offers
- Non-financial benefits

The responses to this section principally provided evidence from projects in community ownership, which is one of the constituent parts of local ownership. This reflects the high proportion of detailed responses from the community sector. We did not receive information about overall benefit from ownership of schemes from business, either Welsh or otherwise.

However, we have considered the evidence provided from respondents and from the schemes we have directly supported in the public and community sectors. The level of benefit from community benefit schemes has been well evidenced. Taking in to account the evidence from the Department of Energy and Climate Change report 2014 that wholly owned schemes can deliver 12 times the benefit compared to the community benefit from a 100% privately owned scheme gives some understanding of the potential scale of the opportunity from owning a greater share of the generation that is developed in Wales.

In Wales we have first hand experience of this. Welsh Government, through the Green Growth Wales initiative, which is now part of the Welsh Government Energy Service, provided loan finance to enable Monmouthshire County Council to build
their Oak Grove Solar Project. Welsh Government provided £4.5m to the £5m project with expected returns of approximately £500k per annum. Whilst the returns are helped significantly by the project securing a Renewable Obligation subsidy, the project will have repaid all finance within 8 years and will then provide a net return of approximately £6m over a conservative project life of 20 years. Assuming the alternative of a £5k per year per MW, the return to Monmouthshire would only have been £500k over 20 years.

This confirms our perspective that retaining a proportionate amount of benefit from new schemes in Wales would be consistent with the goal of increasing wellbeing in Wales.
Question 8: Please provide evidence of the relative value of the different benefits outlined in the section above. As part of this assessment we would welcome evidence about what the priorities should be for action to secure increased benefits to Wales.

There was a mixed response to this question. Some respondents highlighted that each community will need to prioritise the benefits and it is not for the Welsh Government to do this, as this may well limit the social benefits that can be delivered by a project. One respondent did highlight that they felt priority should be given to the following:

- Increased understanding of energy among the community
- Skills development among the community
- Acceptability of the project within the local area
- Tackle local fuel poverty by supporting reduced fuel costs
- Delivery of other local priorities from income received
- Potential control of own energy supply

Some respondents did provide the relative value of the benefits outlined in the previous question.

One respondent suggests that enabling local people to buy locally generated renewable electricity when abundant, and therefore cheaper, is empowering communities to take an active role in reducing energy bills, whilst also supporting decarbonisation, enhancing energy security and promoting affordability.

A respondent quoted the European Environment Agency study, which has stated that community initiative is an effective demand reduction strategy reaching carbon reduction levels of 15 – 20% and proving resilient in the long term, compared to 5 – 10% carbon reduction for measures such as smart meters and self-reporting of own energy use. The respondent suggested that this could be better facilitated by a ‘new pricing model’ focussing on communities in control of their energy use, as demonstrated by the Energy Local project in Bethesda. Another respondent felt that taking control of energy supply and tackling fuel poverty were the most important benefits of shared ownership.

There were some useful contributions on evaluations of the full range of impacts and benefits of energy projects.

It was highlighted that Community Energy Scotland has undertaken an impact survey to look at the social impacts of its work in supporting projects. However, one respondent highlighted that there is little work available to identify metrics and methodologies for measuring social benefit and that all evidence was fragmentary and anecdotal. Another respondent highlighted work by the National Trust, working with partners, to consider social and economic benefits of community energy schemes.

The New Economics Foundation worked with the Ashton Hayes ‘Going Carbon Neutral’ project to develop a set of matrices on Social Return on Investment. Under question 7, another respondent highlighted ongoing work to develop a standard

Another respondent felt that ‘community environment and cohesiveness may well be damaged by the proposals’, suggesting that ‘if communities take control of their electricity supply they should opt out of public supply altogether and be entirely independent’ and that ‘the value of the grid should not be underestimated’.

One respondent stated that renewable energy development helps the renewable energy targets with or without community investment. Developments ensure local economic benefit happens through local employment during construction and operation of the project works. The respondent felt Welsh Government should not consider blocking developments if the developer has made reasonable endeavours to facilitate community development but been unable to deliver it.

One respondent felt that the question could not be answered, as you cannot manage what you cannot measure. As no Welsh balance of payments figures relating to energy are produced, one cannot gauge the amount of money leaving Wales due to the purchase of power from companies outside Wales. Welsh Government therefore should produce a quarterly fuel and energy balance sheet for Wales.

Some respondents considered that no significant weight is given in Wales to projects that are locally or community owned, or offering shared ownership or some proportion of the economic benefits. This should be a material planning consideration in order to incentivise this aspect of a project. This requirement along with clear guidance on what needs to be demonstrated would help to secure and incentivise these aspects of the projects.

**Welsh Government Response**

We agree that it is not for Welsh Government to prioritise different types of environmental and social benefits. This question was focused on establishing the difference in value between wholly owned schemes and schemes where local benefit funds are provided in compensation for impact. This issue is fundamental to the approach taken in retaining more local value through developing shared and local ownership.

Whilst we received evidence of excellent work by commercial developers of all scales in delivering local benefit through community funds and local employment, we received none on the relative worth of these compared to the overall value and profit from the whole development for the purposes of transparency and trust between parties.

As previously described, evidence from our own delivery support on the financial models of various public and community developments supports the view that the real value in an energy development lies in ownership, and is accrued in the early stages of development where the risks are highest.
The points about the challenges in measuring the impacts of developments on the local area are well made. The Welsh Government has provided financial support to a 3 year Ph.D. post at Bangor University, in conjunction with the National Trust, to study community renewable energy. Using five case studies around Wales, the aim is to show local, social impacts of community renewable energy considering the processes involved in driving forward and engaging local communities, evaluating the outcomes of the local community and evaluating the interrelation between them both.

**Welsh Government Actions**

Welsh Government will consult with the working group on the need to undertake a gap analysis on the availability of tools to measure social benefits, with a view to adopting or developing a stronger methodology.
Section 4: Challenges of shared ownership projects

Please click here to read Section 4 of the Call for Evidence

Question 9. Please provide evidence of specific challenges in relation to shared ownership projects. As part of this assessment we would welcome evidence about whether shared ownership itself represents a barrier to deployment of renewable energy projects.

A broad range of challenges from every aspect of developing locally owned renewables were highlighted by respondents. The following challenges in relation to shared ownership were raised:

Unequal partnerships

There were concerns about the commercial developer having control of the negotiations, as they are likely to have more resources such as paid staff, expertise, legal teams, finances, access to land and grid connections. Community groups are reliant on volunteers, have less expertise and generally have little access to funding for legal fees and risk capital. Anecdotal evidence was provided, that on occasion, developers started negotiations with community organisations but communities have not been able to get legal agreements in place to protect their interests.

Community Engagement

A developer raised concerns about low awareness of the concept of shared ownership, which results in a great deal of resource being spent raising awareness and educating local people and organisations. The developer felt Welsh Government should launch a large scale awareness campaign around shared ownership, engaging those who are not ordinarily “energy” orientated.

It was highlighted that not all communities are able to engage with such projects. Not everyone is in a position to gain from local contracts, participate in a community or have the financial ability to invest, so may be unable to take advantage of some or all of the benefits identified. There may also be issues with members of the community not having the confidence to apply for grants: those most in need may not live close to a benefiting area. If Welsh Government focuses on a particular type of ownership structure, then the projects ability to deliver societal benefits will be limited.

Lack of local appetite for involvement in renewable energy projects

A developer felt that if they were to make all reasonable endeavours to encourage the local community to take a stake in their project, but the community proved to be unwilling or unable to take any stake in the project, then this should not prevent a project from being developed.

Multiple developments & developers

A developer highlighted the potential risk of communities being approached by multiple commercial developers because they are in areas attractive for renewable
development, as a result of planning policy and geography. Community or other local partners are unlikely to have the capacity to become involved in multiple schemes.

Credibility

A third sector organisation raised the issue that communities are often seen as a relatively risky partner as they are reliant on volunteers, often lack experience and do not usually have a track record in developing energy projects. Community Energy Wales informed us that they are developing an approach to help overcome this by lending the credibility of their directors to community groups.

Narrow profit margins and financial viability

A developer advised that Welsh Government should consider whether the financial models of shared ownership provide significant enough return for communities in a post subsidy environment. In an increasingly tight financial climate, offering shared ownership may affect the viability of some renewable projects, especially for smaller developers. The developer considered that in the post subsidy environment it is difficult for projects to bear the cost of both shared ownership and community benefit payments, so it would be a choice for the community. One respondent highlighted how a local shared ownership scheme could add financial burden to a project. They went on to suggest that, as wholesale prices rise, the social benefit should be linked to this price, with projects bearing the costs when they can afford them.

Financial risk for general public

A developer advised caution in promoting investment by the general public in projects when such investment will be riskier and less financially rewarding than in the past. There is already an efficient way for people to invest in renewable energy projects through managed infrastructure funds such as The Renewables Infrastructure Group (TRIG), which is listed on the London Stock Exchange and owns a large portfolio of renewable projects across the UK, including projects in Wales. Such alternative means of investing in renewable energy projects can be more appropriate for many communities. As the risk is spread across a number of projects, there is more likely to be a stable return on investment. In addition, such funds are experienced and tightly regulated, which offers further protection to the investor.

Access to land

Several respondents highlighted the challenge of accessing land for development. Community groups often do not have access to land or buildings to develop projects on. Arranging purchase and lease of land and agreements with third parties presents a challenge. One respondent considered community groups should be allowed access to public land for shared ownership renewable energy projects.

Facilitate the access to Natural Resources Wales (NRW) land by communities
One respondent considered that Welsh Government should consider reserving all projects on public land (including NRW) to a requirement to be at least 50% community ownership.

**Numbers of partners involved in a project**

A public sector body indicated that achieving consensus in a community group to take a stake in a renewable energy project can be difficult and can cause delay. Anecdotal evidence suggests the greater the number of partners, the more difficult and time consuming it is to get a project off the ground.

**Lack of incentives for landowners**

A farmers’ union highlighted concerns among landowners of loss of legal control over property and access for many years. The returns fail to offset the ‘loss’ of land and the time and money invested to get a project up and running.

Respondents considered some community projects can be driven by naive ‘newcomers’ to an area who have idealistic views. Landowners fear community groups may not be around in a few years to clear up any legal or practical ‘mess’, leading to the landowner ending up ‘holding the baby’. Members of the community are often unaware of the rules to which land and water are subject, particularly if land is entered into inflexible environmental schemes. If land is tenanted this can also represent an obstacle.

**Lack of incentive for developers**

A social enterprise stated unless there is a benefit or requirement on the commercial developer, they will not pursue the additional costs, time and complexities that come from initiating and completing a shared ownership project.

The respondent believed in Scotland, the drivers for shared ownership come from the benefit at the planning phase in having a community partner, the good practice guidelines and the benefits drawn on from business rates relief. There is a move to corporate responsibility, doing the right thing in the eyes of the commercial developers, which is based on the scale of developments being brought forward which are above 50MW, where planning is decided by Scottish Government.

Another respondent suggested local support for a project may be an advantage in getting planning consent. Shared ownership should be incentivised for developers through the planning process, access to public land, reduction in business rates or a guaranteed energy price or prioritised grid access.

There were a number of comments about the approach taken in Scotland. A developer told us offering shared ownership in Scotland is linked to planning consent. Shared ownership returns are linked to the net economic benefit, limiting a community to income generating and job creating projects. This limits the community in what it spends its returns on and demands a net economic benefits assessment of existing community plans which can be costly.
It was reported that, in Scotland, a memorandum of understanding is agreed between developer and community group prior to submission to planning. This places pressure on the developer as there is pressure from the community group to know the returns from a potential project. It is extremely difficult to know this at such an early stage of development. The respondent considered that if shared ownership is taken forward, legal agreements should be put in place after consent is obtained.

**Financing of shared revenue projects**

One developer highlighted that for many large-scale commercial developers, the shared revenue model of shared ownership is likely to be the only option they are able to deliver with community partners. Feedback from conversations with Local Energy Scotland and commercial lenders has indicated that, whilst many of these schemes are being proposed, there is little appetite from commercial lenders to lend to communities. Scottish Government has made loan funding available through Scottish Enterprise and the Renewable Energy Investment Fund. However, feedback from some Scottish Communities has highlighted concerns over the relatively high interest rates, which may mean schemes become less attractive.

**Geographical boundary of a project's impact**

A think tank observed Scotland uses the model of “affected areas” to identify who is directly affected by the development and therefore who the shared ownership should be offered to. This raises the question of how widely the geographic boundary of a project’s impact should be measured. Developers in Scotland initiate discussions with local community to work out the area of impact.

**Allocation of benefits**

A think tank recommended consideration should be given to how to ensure local communities benefit from schemes developed in their area beyond offering the opportunity to invest in a share offer, as this excludes people on low incomes with little savings. Incentives such as the offer of cheaper electricity should be considered.

**Brokering**

A system of brokering is required to bring together interested communities and developers together and match good finance option with viable projects.

**Welsh Government Response**

Evidence and opinions were provided on a range of challenges related to developing renewable energy projects. We have taken note of all the challenges highlighted. Those related to renewable energy development more broadly are being considered as part of our approach to delivering the 70% target. However, the question in this call for evidence related to specific challenges to shared ownership projects.
The development of shared ownership projects clearly brings with it a variety of challenges, needing careful consideration of the measures needed to address them effectively. We have previously expressed the view that shared ownership should apply to large commercially led projects.

The Welsh Government has provided support to community and social enterprises developing renewable energy schemes since 2010. The service has provided Development Officer support along with financial and technical advice, plus revenue and capital development loans to take renewable energy projects through to commissioning. The service in Wales has shown to be successful and valued by service users, and elements of the service have been used to inform the development of Local Energy Scotland.

We have also provided support to public sector organisations to develop a pipeline of energy efficiency and energy generation projects, providing technical and financial advice, capital loans and a range of mechanisms to support delivery.

These services have been brought together as the Welsh Government Energy Service, which provides similar support and encourages closer working relationships between public and community sectors on energy projects. Welsh Government is currently working with the service to consider how to address the target of delivering increased local ownership through local and shared ownership projects.

We will continue to work with stakeholders to ensure our approach in Wales builds on good practice, including the lessons learnt from shared ownership in Scotland.

We are also working through the service to explore the role of public land in developing more shared ownership projects.

The planning regime gave rise to a number of comments from respondents. The Well-Being of Future Generations (Wales) Act 2015 (the Act) requires decisions to take into account economic, social, environmental, cultural and long term impacts of decisions. Planning Policy Wales has been redrafted in line with the Act. There is a requirement on all developers, local and otherwise, to clearly set out the benefits and impacts of a development.

We are strengthening our planning policies in Planning Policy Wales, our national land-use planning policy document, to align them with the energy hierarchy. Our recent consultation draft places emphasis on delivering energy efficient development and the promotion of renewable energy. Our draft coal policy explicitly states that proposals for opencast, deep-mine development or colliery spoil disposal should not be permitted.

We want our local planning authorities to be positive about renewables and are introducing more explicit requirements for local authorities to spatially identify areas for new wind and solar generation developments and to set local targets for renewable energy in their local plans. We are working through the Welsh Government Energy Service to support regional energy planning to maximise aggregated development of locally owned and led schemes.
Question 10. Please provide evidence about where a challenge or barrier to shared ownership has been successfully addressed.

Respondents highlighted the successful address of challenges and barriers under the following themes:

**Community Support**

A couple of respondents highlighted Local Energy Scotland (LES) provide a team of development officers who give impartial advice to community and locally owned renewable energy projects. They fund legal and financial advice and guide potential local owners through the process. Both respondents recommended a similar system would be helpful in Wales if shared ownership is taken forward.

**Raising Awareness**

A developer highlighted how, in Scotland, discussion around the future of shared ownership and community benefits is beginning to broaden to encompass the wider benefits brought by a project or development.

**Planning**

Some respondents considered, as profit margins are small and shared ownership agreements add additional complication and cost, the planning system could be used to incentivise developers to enter into shared ownership agreements. Whilst planning decisions must be based on an assessment of their impacts, the social and economic benefits of shared ownership schemes should be given more weight in the planning system and this should take into account the long term impacts of these schemes.

**Addressing landowners’ concerns**

A farmers’ union suggested that to address landowners’ concerns, people such as agricultural land agents should be involved with project development. As they understand the practical and legal concerns of land-owners, these can be considered at an early stage, and addressed through legal agreements.

**Community engagement**

A developer’s experience showed most value is created through dialogue with communities. Flexibility to define the best solution for individual projects would mean the most value possible is fully explored and created, including, but not limited to community benefit fund and shared ownership opportunity. Policy around shared ownership could engage communities in their local energy development in an entirely new way and to mobilise a large majority of people to support renewables.

It was considered important to ensure the benefits of schemes are properly presented in terms of commercial benefits for communities and owners, rather than in a way which implies any investment should be seen in terms of the 'greater good'
addressing climate change will bring. Bodies such as Community Councils may be best placed to promote and drive projects forwards.

**Business Rates and Developer Benefits**

A third sector organisation suggested, as in Scotland, there should be 100% business rate relief for all community energy projects in Wales. There should also be benefits for developers who enable shared ownership. As in Scotland, this would stimulate joint ventures between community energy groups and commercial developers by making community partners a more attractive proposition.

**Access to publicly owned land and buildings**

A respondent considered there is huge potential for more productive use of underutilised land and buildings and any development on publicly owned land should have an element of local or community ownership. The recent lease option offered by NRW in the Alwen Forest used the option offer process to encourage proposals which meet the aims and ambitions set out in the Well-being of Future Generations Act, incentivising the development of a shared ownership proposal.

**Energy co-ops**

A respondent suggested Welsh Government should further investigate the experience of Energy4All, who have worked with Falck Renewables, and helped create several community-commercial renewable energy partnerships in Scotland and England.

A third sector organisation observed co-ops in Belgium supply thousands of customers, engaging them in active energy efficiency programmes.

**Ongoing Support**

Respondents considered Welsh Government should continue to fund the Local Energy Service and provide grants, development loans and development officer support. The grants and development loans need to be as flexible as possible and there may need to be more funding available given the scale of ambition from the Welsh Government.

**Welsh Government Response**

Very few responses provided evidence of examples where challenges and barriers to shared ownership were successfully addressed. This reflects the limited number of such projects to date in the UK.

The need for ongoing support is referenced in a number of the responses received, both in resourcing communities to become involved in projects and in establishing and developing understanding and trust between potential scheme partners. We will draw on the evidence provided and work with all sectors to continue to develop support and guidance.
For example, in one region in Germany a charter mark has been established for developers. It is used to signify they adhere to a particular set of practices in working with local communities. This approach could be employed in Wales so communities could use this as a way of establishing up front a potential developer’s commitment to joint working. This could be helpful in establishing trust and embedding good practice in developing new projects.

Welsh Government intends to maximise use of our available levers, for example, by continuing to work with NRW to establish projects on Welsh Government land and encouraging other public landowners to do the same. We expect NRW to build on its Energy Development Programme to be an exemplar for encouraging Welsh owned developments on public land.

However, we recognise the challenges of taking forward renewable developments in the current financial environment, where only the best sites with strong resource and grid connection or direct power purchaser may be viable.

There is a clear need for innovation in order to deliver the smart, connected low carbon future system. Wales is already piloting a number of innovative approaches to small scale renewables and the way they can be integrated into the energy system. Projects in Wales have drawn down £182,823,380 from Ofgem’s innovation fund to date. Our Smart Living programme of demonstrators is also providing a range of insights, which we are sharing as they evolve. Welsh Government is currently providing support, as part of the Smart Living Initiative, for innovation projects between the District Network Operators and locally owned energy developments, to develop smart grid and storage innovations which support active network management.

Welsh Government continues to urge the UK Government to provide the stable investment environment needed to bring forward more generation, for example Feed in Tariffs and Contracts for Difference, and to enable development of a grid appropriate to achieve our low carbon energy future.

**Welsh Government Actions**

We have redrafted the Welsh Government’s Planning Policy Wales to ensure appropriate weight is given in the planning process to the benefits and impacts of local and shared ownership of new energy developments. The policy statement will set out in more detail how this will be achieved.

We will work with the Welsh Government Energy Service and the working group to address the challenges outlined by respondents and support shared ownership approaches to new large scale developments. This will include reviewing the Scottish Good Practice Principles for Shared Ownership, and considering whether such guidance would also be helpful for Wales.

We will organise knowledge transfer events for Welsh Government Energy Service officers involving people with direct knowledge of shared ownership.
We will build on the partnership portal developed under the Local Energy Service, and the local and regional energy planning work, to bring together parties interested in developing shared ownership projects.

The Welsh Government Energy Service will provide advice and support in relation to developing shared ownership projects, including encouraging sharing of good practice.

Welsh Government will work with the working group to consider how to improve the development of shared ownership, including potential mechanisms such as a “charter mark” scheme to set standards.
Section 5: Ownership models

Please click here to read Section 5 of the Call for Evidence

Question 11: Please provide evidence of developments using other ownership models not included above.

Respondents told us about the various models that can be employed, in addition to those highlighted in the call for evidence, such as a shared partnership model and “taking ownership as you go”. One respondent believes that the most desirable model is 100% community owned, which results in meeting the outcomes set out in the Well-Being of Future Generations Act. In Scotland, the most popular model is that of joint ventures.

The Swansea Community Energy & Enterprise Scheme is an example of a shared partnership model. This project is owned and operated by the community benefit society, though the local authority has provided the buildings to host the PV solar panels. A representative of the local authority is a member of the board.

In some areas of the UK a ‘take ownership as you go’ model has been implemented. The energy user pays the installer for the energy used. These payments contribute towards the energy user taking ownership of the installation. Another alternative is paying a lump sum further down the line for the installation. As share of ownership increases, the energy bills reduce. This model removes the need for a large capital outlay to purchase the installation outright. It also works for individuals, rather than needing people to group together or to establish legal entities.

One respondent listed different approaches used in EU countries. Germany has introduced the right of community energy projects to sell direct to third parties. In Denmark, local residents have priority to invest in community energy schemes. Evidence in Denmark shows that when people feel they own the energy, it is easier and more effective to work with people to reduce energy use.

Another respondent has suggested greater working between public sector and the community sector. This could be the public sector purchasing energy from the community sector at a fixed price, providing community project security and help in the public sector reaching climate change targets. The UKERC report What we know about local authority engagement in the UK energy systems was highlighted, which provides recommendations on the role of the local authority.

The following legal structures have been identified by various respondents:

The Community Benefit Society (CBS or “Bencom”) has been identified by respondents as the most popular structure. It is designed for the benefit of the community, to provide services for people other than their members. This structure allows community groups to raise funds through share offers, providing a return to the investors by paying interest on their share capital from any operational surplus, with the remainder being used for the benefit of the community. A Bencom can be used in conjunction with a charity (a charitable community benefit society), allowing the Bencom to give money to the charity to deliver community benefits. A Bencom
differs from a cooperative society in that a cooperative exists to benefit its members who will use the services it provides, whereas a Bencom works to benefit the wider community.

The **Company Limited By Guarantee** is commonly used where finances have not been raised through share offers. It has members rather than shareholders. The main reason for this structure is to protect people running the company from personal liability for the company’s debts.

The Community Interest Company (CIC) structure allows a community to establish a business that trades with a social purpose or undertakes activities for the benefit of the community. CICs are a useful legal form for holding local assets, such as land, ensuring they are used for the benefit of the community. CICs are regulated by the Office of the Regulator of Community Interest Companies (https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies).

One respondent highlighted that in a time when creating financial returns is difficult, communities will need to raise low cost capital. This may mean that communities are likely to adopt the community benefit fund model, which will be low risk.
Question 12: Please provide evidence to demonstrate the most useful models in delivering shared ownership and local benefit.

Various models have been provided in the responses. The models suggested with supporting evidence have already been described in the summary of responses to question 11: shared revenue models, joint ventures, community trust funds and 100% ownership. The evidence also provided consideration of the advantages and disadvantages of the different models.

One respondent highlighted that the model used is likely to depend on the project and how much added value the community partner can bring to the partnership. For example, a joint venture model could be used, but a community group may not be able to raise the money for their share of a very large project.

Respondents considered the type of model has an impact on the rights and powers held by a community, which will require time and resources. Some models enable communities to be part of the decision making process. A shared revenue model would restrict communities’ involvement, which may be preferred by a community with low level of resource.

Some respondents remarked that the shared revenue model can result in a guaranteed income in year 1 of generation. However, one respondent highlighted that there is potential that the cost of finance, along with development and maintenance costs, could use up the revenue that would otherwise go towards the local benefit fund.

A piece of evidence was provided about a project having to use a shared revenue model in order to manage the developer’s concerns about a partner organisation being on the board and increasing risk by influencing decisions about the operation of the project.

Welsh Government Response

The evidence on models has proved useful and underlines the need for a range of approaches to suit different circumstances. We share respondents’ concerns that full local ownership requires a great deal of resource and expertise that not all communities can commit or are prepared to take on. On balance it appears sensible to include community benefit funds as an option in the range of benefits offered to communities, though this alone would not be considered as a shared ownership project.

Welsh Government Actions

The Welsh Government Energy Service already provides guidance on models and structures for energy developments. We will work with the working group to expand the range of guidance to include shared ownership models.
Section 6: Finance

Please click here to read Section 6 of the Call for Evidence

Question 13: Please provide evidence of the types and sources of finance used to develop energy projects in Wales. Evidence to support or challenge the continuation of Welsh Government finance offers would be helpful.

Again the majority of responses focused on local and community energy rather than the commercial schemes that form the bulk of development in Wales. Many of the respondents have listed the funding streams that they have used themselves or are aware of. The two funding streams highlighted the most in the context of supporting local energy schemes are the Welsh Government’s Local Energy Service Loan Fund (managed by the Development Bank of Wales) and the Robert Owen Community Bank. Both funds are flagged up by several respondents as having a pivotal role in providing key support at the pre-development stage for example in funding activities such as feasibility studies.

However, it has been suggested that the Welsh Government consider reducing the interest rate charged on capital loans from the current 7% and that the UK Government should reinstate tax incentives for community renewable energy projects.

Some respondents have suggested that, given the recent target announcements on local ownership of renewable energy, more pre-development funding should be made available, although it has been flagged up that this type of funding is more available in Wales than in England.

One respondent suggested that, on the basis it takes £1m to build out a MW of power, meeting the 1GW target of locally owned renewables will require an estimated £1bn of investment. At the same time, Welsh citizens hold in their ISAs an estimated £20bn (based on 1m ISAs held by Welsh residents and each ISA holding on average £20k). It was suggested that this represents a significant opportunity to direct a proportion of Welsh residents’ ISA money into funding Welsh renewable energy projects.

Several respondents have flagged up the potential to use Local Authorities’ access to low cost borrowing to support community renewables. Also, respondents considered Welsh Local Government Pension Funds should invest in renewables, as the Greater Manchester Pension Fund does.

Several respondents commented that Wales needs to exploit specialist forms of finance, including mezzanine finance, in order to drive investment in renewable energy. Mezzanine financing is a hybrid of debt and equity financing that gives the lender the rights to convert to an ownership or equity interest in the company in case of default, after venture capital companies and other senior lenders are paid.

Respondents highlighted the following sources of capital loans specifically for community renewable schemes:
Other key points raised by respondents include:

- the need for alternative and innovative funding channels to support local energy;
- the need for longer pay back periods for long term assets;
- the critical need for pre-development funding in ensuring that projects are de-risked before going into community ownership; and
- consider accessing international funding streams such as the World Bank.

One respondent suggested that in Scotland communities are looking at the local authorities for low cost capital. Local authorities can borrow from the Public Works Loan Board. Lending this funding on to community organisations at a competitive rate compared to traditional financing can provide the authority with a long term income.

Types of finance

Community Share Offers

Respondents told us over £6million has been raised from community share offers in Wales over the past 3 to 4 years. £2.5million has been raised by one scheme alone. Community shares provide a mechanism to bridge the gap between undercapitalisation and ownership of social enterprise. One respondent suggested that the use of an ‘asset lock’ when using share offers was seen as important. As the community shares market is unregulated, it was also suggested that schemes should adopt the Community Shares Standard mark promoted by the Wales Cooperative as good practice.

Crowdfunding

There is now an opportunity to crowd fund community energy bonds within a tax-free Individual Savings Account scheme. Crowdfunding schemes are more attractive since the loss of Enterprise Investment Scheme (EIS), which made community share offers less attractive to investors. Platforms providing Innovative Finance ISA renewable energy crowdfunding include the following:

- Mongoose crowd
- Triodos Crowdfunding
- Ethex
- Abundance Investment
It was also suggested that costs of delivering debt-based crowdfunding are low so minimum investment levels can be as low as £5, and that share-based offers need higher minimum investment levels. Research has demonstrated that ordinary investors are more comfortable lending money than buying shares in a company. One respondent suggested that crowdfunded debt can provide 100% of the finance to develop small scale projects, while for larger projects it can be used to provide a layer of capital within the structure. If it is provided as mezzanine finance, it can reduce the cost of senior debt, helping reduce the overall Weighted Average Cost of Capital. However, it is seen as a relatively new source of capital and is not fully understood across the developer sector.

**Guaranteed price for community energy**

Options for moving to more local sources currently available include a flex power purchase agreement, corporate power purchase agreements, sleeving contract or private wire.

**Swansea Community Energy and Enterprise Scheme** is currently the only community energy scheme that has a power purchase agreement (PPA) with a public body. This agreement was essential for the project to be delivered.

**More flexible low cost finance**

A number of points were raised in relation to funding local or shared ownership projects. These have been considered under section 6.

A third sector organisation cited a report from Community Reinvest stating that Welsh councils specifically invest £739 million of their pension funds in fossil fuel companies, equating to 6.6% of their total investments, higher than in Scotland, England or Northern Ireland. This investment occurs despite the financial, social, technological, environmental and regulatory risks associated with such investments. The Well-Being of Future Generations (Wales) Act 2015 places a duty on public bodies, including local authorities, to consider the long-term implications of their actions.

The respondent suggested recommendations from the IWA ‘Re-energising Wales’ funding report should be supported.

Many Community Energy organisations including Awel Coop, Carmarthenshire Energy and YnNi Teg have benefited from support from Welsh Government capital finance administered by the Development Bank of Wales. Respondents commented that the level of funds available need to match the ambition of the Welsh Government to lever in additional finance.

In addition to community shares, community energy bonds and ISAs are being developed. Raising finance using community share offers can ensure more of the interest payments stay in Wales and the UK.
Welsh Government support

A number of respondents have commented on the importance of the support given to the renewable energy sector through programmes such as Ynni’r Fro and the Welsh Government Local Energy Service. This is considered particularly important to the community energy sector at the pre development/feasibility stage of a scheme. One respondent suggested that the Welsh Government should underwrite guarantees against investment losses. Another respondent suggested that until new projects become viable on the basis of wholesale electricity prices alone, the Welsh Government financial support is invaluable for projects to achieve the optimal balance of debt and equity.

One respondent suggested that there is a key role for Welsh Government to stimulate the sector by creating a pot of bridging finance which takes up a position on the day that capital funding is needed, with the capital then being refinanced with other sources of funding such as crowdfunding. They suggest that exposure to Welsh Government would be limited and cash could be rapidly recycled, but the number of opportunities for citizen finance would expand significantly. Another suggestion was that the current model of Welsh Government funding distorts the market and that it should work with others to develop a ‘social finance’ model instead.

Welsh Government Response

The evidence provided focused on local energy developments, and particularly the community energy sector. Little evidence was provided of the funding sources available to commercial and large scale energy developments. However, no barriers to funding were identified.

The evidence provided was helpful in demonstrating the variety of sources of late stage capital funding, demonstrating an active market in commercial finance with no clear case for Government intervention. The absence of early development and construction stage funding for the community sector was highlighted.

Respondents’ views on the core role played by Welsh Government funding in early stage development was helpful. This pre-development/construction/feasibility phase is confirmed as a gap in funding provision due to the high level of risk associated with it. It also appears that this early development is the stage where the real value of the project is accrued. This confirms the need for continued support in order to deliver increased retained value from community owned generation.

Welsh Government has noted the contents of the IWA ‘Re-energising Wales’ funding report and has provided a response published on the Welsh Government website https://gov.wales/topics/environmentcountryside/energy/publications/iwa-report-response/?lang=en

Welsh Government has already played the role identified by one stakeholder in providing capital for construction in a bridging loan capacity, to be replaced by share
offer funding. We have also underwritten loans from the Local Energy Loan Fund alongside share offers, to ensure that projects delivering benefit directly to communities succeed in being built, particularly where deadlines for UK Government incentives were imminent.

A number of different finance mechanisms have been identified in this section and we will work with stakeholders to better understand what might be involved in unlocking Welsh funding for locally owned developments at all scales.

We will also explore ways to reduce costs of finance. The Welsh Government Local Energy Loan Fund operated by the Development Bank of Wales offers loans at commercial rates in order to comply with State Aid requirements. We would like the option to offer loans at lower or zero interest rates in order to maximise the benefits retained locally from new developments in the current challenging financial environment. We are exploring how this might be possible without increasing complexity for the receiving organisation.

**Welsh Government Action**

Through the new Welsh Government Energy Service we will continue to support renewable energy projects.

We will explore reducing the interest rates charged on the Welsh Government Energy Service capital loans managed by the Development Bank of Wales.
Question 14: Please provide evidence of the impact of shared ownership models on access to or cost of finance.

Respondents were clear that since the reduction in levels of support through Feed-in Tariffs and Renewable Obligation, economies of scale are now required to make new projects viable with the current finance options available. One respondent suggested that because the larger scale required is often above what can be delivered by a small organisation such as a community alone, shared ownership is likely to become an increasingly viable way of delivering projects.

It was suggested that the ‘shared revenue’ model has some advantages. Although this approach gives no security on the asset to a lender, which may be an issue for some lenders, it can provide a percentage of revenue from Year 1, helping to ensure repayments and interest payments can be made.

One respondent suggested that community groups may find it easier accessing funds when partnered with a major developer or with a local authority, which could potentially provide access to their prudential borrowing as well as expertise and additional resources. Local Authorities may be able to act as guarantors for community enterprises that need access to commercial borrowing but have no track record. There are examples of Communities and Local Authorities co-investing: for example, the Swindon Community Solar farm. This project was a partnership between Public Power Solutions (wholly owned by Swindon Council) and Abundance who co-financed the project from a mix of public finance and community investment.

Another respondent has suggested that commercial developers are in a state of flux due to the changes in the subsidy market. It is expected going forward that the scale of developments will increase and the experience in Scotland is that these are being taken forward by larger companies. Therefore the cost of finance for the commercial developer is not a barrier, but provision should be made for Welsh organisations who want to take up a shared ownership model. These provisions should include access to legal support, financial support and affordable finance.

Responses also highlighted that shared ownership and community ownership bring in funds from a range of different individual investors, allowing flexibility of location and flexibility of amount. The respondent considered that this means it is relatively easy to raise the funding for capital investment. The German model of the KfW (Federal Government owned development bank) provides financing options delivered through a local network of banks. This provides accessible, flexible, cheap and targeted finance to renewable energy, heat and insulation projects for individuals, social enterprises and small businesses. The respondent suggested Wales could apply this model using post offices or credit unions.

One respondent suggested that by encouraging shared ownership models in a flexible manner, without preventing developers from developing projects in instances where shared ownership models are not feasible, the Welsh Government will unlock the maximum range of investment sources. This would be likely to reduce the cost of capital by increasing the amount of capital available for renewable energy projects. In turn, this would help to deliver the lowest cost low carbon energy to the system.
There are different kinds of grant or loans available for renewable projects, which may work for one particular kind of organisation or community or commercial company. In projects with organisations from different sectors, they can access funds from different sources and overcome the capital finance barrier.

Finally, one respondent cautioned against the shared ownership model. They suggested that shared ownership makes a project sale or financing more complex due to the additional agreements that need to be negotiated with a bank. The effects of shared ownership on a subsidy-free project’s financing arrangements are yet to be tested, but if banks choose to negotiate strongly on terms then the additional cost could be an excessive burden on projects.

**Welsh Government Response**

The responses provide a mixed picture of the impacts of shared ownership on financing projects. There was insufficient evidence from existing developments, which, combined with the lack of robust routes to market, provides a high degree of uncertainty. The potential to draw down early stage development funding from different sources may be counteracted by more complex governance models deterring commercial banks.

There is a need for more work to identify strong projects and longer term, lower cost sources of finance in order to generate a significant level of new shared ownership projects.

Public sector pensions have been identified as a potential source of Wales based capital. Welsh Government will work with public sector pension funds to promote more investment in long term, low carbon opportunities, moving away from traditional investment in the fossil fuel sector. However, there are risks associated with developing new generation in a subsidy free environment. The primary role of public sector pension funds is to provide pensions for public sector workers. Other sources of finance may be a better fit for initial capital funding of developments, with pension funds providing re-financing options once the level of return is clearer.

**Welsh Government Action**

Through the Welsh Government Energy Service we will:

- provide support to public and community sector organisations to develop shared ownership opportunities, including providing legal advice and accessible finance where needed;
- encourage Local Authorities to consider accessing prudential borrowing to re-invest into shared ownership renewable energy opportunities, working in partnership with communities;
- continue to explore opportunities to draw in capital investment into Welsh renewable energy schemes.
Section 7: Role of investment mechanisms and Energy Company

Please click here to read Section 7 of the Call for Evidence

Question 15: Please provide evidence to support or challenge a role for a ‘not for profit’ energy company for Wales to help deliver local ownership targets.

Most of the respondents to this question were from organisations in the community energy sector.

Several respondents confirmed that they are supportive in principle of a not for profit energy company for Wales. One respondent commented that traditionally there has been an advantage to local share offers that have raised funds for a local project with clearly defined parameters. However, there are changes in the financial market that include the Abundance and Triodos IFISA that make use of the tax free savings initiative. Some considered it could be advantageous to have a Welsh equivalent to this that captures or attracts funding into Wales and Welsh projects, keeping the financial benefits in Wales instead of allowing this to filter out to Abundance or Triodos. It may be that Development Bank of Wales could fulfil this role. Part of the initiative could be to re-finance some of the community projects to further enhance the financial benefits delivered by community organisations.

Another respondent suggested that Welsh Government should set out the role this energy company would take in delivering local ownership targets. The energy company could have a positive role if it gave developers the opportunity to meet local ownership requirements by securing investment for appropriate projects, or if the company were to provide access to funding for communities to invest in appropriate projects (in a similar fashion to the Renewable Energy Investment Fund in Scotland). However, if local ownership were to be mandatory for all new renewable energy projects, then in instances where local communities are unable to raise, or unwilling to risk the necessary capital for such a project, developers may effectively be forced to give this energy company a stake in their project in order to develop it.

In the Northern Energy Strategy report, IPPR considered a similar issue from the perspective of the north of England, also once home to significant energy assets. The Northern Energy Taskforce concluded that there was a need for a strategic body to oversee and coordinate, which they name ‘Energy for the North’. They propose the body would oversee the monitoring of a northern carbon budget, and northern measures to meet it; including work on skills, innovation (through a Northern Energy Accelerator) and deployment (through an energy generation framework).

The respondent suggested that taking this approach would suggest a different sort of energy entity, not one necessary engaged in supply, but in delivering the energy transition for Wales and to Welsh advantage. With Wales already developing a carbon budget, there is perhaps a clearer framework for the action required, so the task of ‘Energy for Wales’ would be to oversee, coordinate and support a wide range of measures, not least all those which could support local and community generation.
One respondent suggested creating a central body to support local communities to manage community benefit payments to make most of the dividend payments and shared ownership proceeds. The respondent considered that funds are currently invested piecemeal and the value lost.

Another respondent highlighted that, in Denmark, district heating is widely established and heat is sold on a not-for-profit basis. There is transparency on heat pricing and district heating development has been enabled by a strong planning framework. Most district heating is owned by local authorities, and district heating consumer cooperatives (Chittum and Østergaard 2014; Bush 2016). In the UK, district heating systems have been successfully extended under a local ownership model, on a not-for-profit basis (a key example of the latter is Aberdeen Heat and Power Ltd, set up by Aberdeen City Council). This might be a role for a Welsh energy company.

A national not-for-profit energy company might aid the development of renewable energy in Wales both in relation to finance and technical and business issues. Firstly, the ability to spread investment risk across a portfolio might not only protect investors, but also, through lowering risks, raise finance at lower rates of interest than single-project community energy groups are able to (DECC 2014). This could in turn lower projects’ financial costs, potentially allowing for greater local benefit, or even permitting projects to proceed that might not otherwise have been viable. The establishment of Energy4All and of the Energy Prospects cooperative, a cooperative that funds other energy cooperatives, is a sign of the community energy sector attempting to address this very issue.

Secondly, the respondent argues, such a company might strengthen community energy groups’ capacity in various technical domains. Particularly when establishing themselves, community energy groups often face a steep learning curve, and in dealing with commercial energy actors, an imbalance of financial and technical resources. Enhancing community energy groups’ capacity might also facilitate partnership working and benefit commercial energy actors seeking community partnerships (Goedkoop and Devine Wright 2016, Harnmeijer 2015).

However, a minority of respondents were not supportive of creating such a body, with one respondent suggesting that not for profit energy companies have had a

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mixed record to date, with Bristol Energy placing a significant financial burden on the Local Authority and its communities. As a result, Welsh Government should be cautious about entering this sector. Moreover, there are a myriad of energy companies operating in the UK, seeking to address different challenges in energy supply. There is no reason to expect Welsh Government would be able to deliver such services more efficiently than the private sector. In fact, the respondent considered if Welsh Government were to support an energy company then it could stifle competition and innovation as the government supported company would be likely to have cheaper finance and stronger backing simply due to the government support.

**Welsh Government Response**

The responses confirmed the work previously done by Welsh Government last year in exploring potential roles for an Energy Company for Wales. We agree with the respondent who highlighted the challenges for Government in establishing an energy supply company.

The possible areas for action for an energy company outlined by other respondents were helpful. Heat supply is less regulated than electricity supply and is not a highly competitive market. As several local authorities are looking at potential heat projects, a Welsh organisation could in theory be developed to operate these schemes.

We do not agree with the suggestion of a central body to manage community benefit payments, as these funds are for local people to decide. We do however support the good practice employed by some developers who provide support to communities to consider the strategic and possibly transformational role these often large sums of funding could play within the region.

Most of the respondents identified a perceived gap in local and regional coordination, which was seen as necessary to deliver best local value from the decarbonisation transition. We are working through the Welsh Government Energy service to identify how we support local and regional leaders to actively plan for and coordinate this transition. We have recently committed to support regional energy planning, which could increase coordination.
**Question 16: Please provide evidence of the need for an investment mechanism to increase availability of Wales based capital for investment in energy projects.**

Respondents to this question were generally supportive of creating a new investment mechanism. One respondent flagged up something similar that existed in Germany. They highlighted that KfW bank in Germany has been an instrumental component of the growth of locally/cooperatively owned renewable energy. KfW Bank’s strong credit rating allows it to borrow at very low rates. This finance is then distributed through networks of local and regional banks who are keen to support local projects, in part because of their positive impact on local economies. These financial intermediaries often provide development support alongside capital. While Wales does not have an analogous network of local and regional banks, the model could be translated by combining low cost lending with development support and, importantly, metrics tracking the socio-economic impact of projects in Wales as a way of measuring value for money.

Another respondent highlighted another non-Welsh example. They quote the Scottish National Investment Bank Implementation Plan which has a vision to ‘provide finance and act to catalyse private investment to achieve a step change in growth for the Scottish economy by powering innovation and accelerating the move to a low carbon, high-tech, connected, globally competitive and inclusive economy’. Whilst these plans are at an early stage, and benefits need to be proven, Government ownership was cited in the Implementation Plan as more desirable than private ownership to ensure long term, consistent and confident pursuit of its overreaching purpose. Proposals in the Scottish Implementation Plan include support for SME investment, with early stage and medium-term loan finance and a co-investment model for early stage equity investment which could be models to consider.

A respondent stated that we need to look at new innovative forms of finance and widening the interest in share offers if we are to ensure community owned energy forms a significant part of the 1GW of locally owned energy. Abundance, Ethex and Mongoose Energy have developed tools like community shares platforms and marketing and new forms of finance through bonds and ISAs for community energy schemes. However, as yet they do not offer a bi-lingual service and to date have had very little reach in Wales. One respondent felt this is something Community Energy Wales could take a lead on in Wales.

**Welsh Government Response**

The evidence provided some very interesting models for consideration in addressing the significant challenge of delivering the Welsh Government’s ambitious local ownership targets. We currently offer a range of financial products to meet existing needs and are discussing finance options with local authorities developing heat networks projects, which have specific long term finance needs. There is now an opportunity to review our current provision against emerging and future needs in light of the evidence received.
Welsh Government Action

We will review our financial provision in conjunction with current partners including the Development Bank for Wales, Salix, project sponsors and relevant stakeholders.
Question 17: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

One respondent felt that community and municipally owned renewable industry working for civic benefit rather than private profit has the potential to revitalise Welsh cities, ports and coastal communities, creating economics of scale that enable other industries to flourish alongside. Another respondent pointed out that, to date, most (locally owned) schemes were small and associated with rural communities with the main objective of reducing local energy costs and generating income. However, the amount of energy generated is insignificant when viewed Wales-wide and that to reap the benefits of community energy that we need to explore the opportunities in larger communities in towns and cities. Towns and cities may mean that generation and saving may be greater, this would also address economies of scale and the segregation of energy generation and demand reduction targets and initiatives.

One respondent highlighted that any Welsh Government policy document should provide clear evidence and rationale behind why local ownership is a good idea, as the call for evidence fails to make a rational argument that increased local ownership is either beneficial or necessary, or what the advantages would be both in terms of economic benefits and in terms of increased deployment of low-carbon generation capacity. They point out that the document should include a rigorous financial analysis quantifying the benefits to Wales. They have also raised concerns that local ownership in the Welsh private sector may not always deliver greater benefits to Wales. For example there is no guarantee that they will recruit or procure locally any more than private sector organisations from outside Wales.

One respondent recommended synergy between the contribution of public organisations to renewable energy targets and the ambition for a carbon neutral public sector by 2030, to ensure maximum benefits between these two goals.

A respondent recommended that the Welsh Government should explore the role for housing in addressing both the energy and climate issue. Most of the existing housing stock will still be around in 2050, and it will effectively need to be carbon-neutral. It is felt that by increasing energy efficiency of homes and installing renewable technology such as PV arrays, locally owned renewable energy is a good platform to address this work on an area by area basis.

A couple of respondents recommended that the Welsh Government had a role in providing advice on investments in renewables and participation in local schemes, ensuring that consumers are protected. Welsh Government should also be involved in the transition of the energy system for example ensuring the switch of the Distribution Network Operators to a Distribution System Operator role is not set up in too complicated a way for local schemes to engage.

**Welsh Government Response**

The reflections received in response to this question very much reflect the Welsh Government’s view of an increasingly inter-connected decarbonised energy system.
We share the vision of dramatically up-scaled, locally owned energy generation developed, operated and managed by Wales based companies, powering more efficient homes and businesses, providing economic prosperity across Wales.

We are actively working with Ofgem and the Distribution Network Operators with infrastructure in Wales to ensure the future regulatory regime enables the development of the energy system we need in Wales.

The purpose of this call for evidence is indeed to gather the evidence to provide the recommended compelling rationale behind the ownership targets, which will form part of the proposed policy statement.

This call for evidence is focused on increasing locally owned ownership of energy in Wales. It is part of a broader policy approach, most recently set out in our consultation on decarbonising Wales, Achieving our low carbon pathway to 2030. More information on the emerging proposals for energy is set out in this document from page 26.
ANNEX 1

Background to this call for evidence

The Environment (Wales) Act 2016 sets a legal target of reducing emissions by a minimum of 80% by 2050 and places a duty on the Welsh Ministers to set a series of interim targets (for 2020, 2030 and 2040) and five yearly carbon budgets. The budgets will limit the emissions in Wales over each 5-year period and allow us to track progress towards the long term target. The Act says we must set the interim targets and first two carbon budgets (2016-20 and 2021-25) by the end of 2018.

In 2015 the power sector was responsible for 38% of Wales’ carbon emissions. Heating homes and workplaces largely uses gas, with some oil and solid fuels and is in addition to this. A key part of delivering our carbon budgets will be ensuring we use energy more efficiently and generate more energy from low carbon sources.

Wales will need to generate energy from a mix of different technologies and sizes, from community scale to major projects, to meet our future energy needs. We want to drive the energy transition from high to low carbon and from central to distributed generation, in a way that delivers maximum benefits for Wales.

We consider the ownership of renewable energy projects confers a range of benefits on the owners. In our view, increasing the proportion of generation owned by Welsh people and organisations will secure more of these benefits for Wales. Through this call for evidence we want to confirm and add to our evidence base regarding the benefits ownership can convey.

Current position on ownership

In December 2017 we published a report on energy generation in Wales using energy data up to the end of 2016. This showed that in December 2016 there were 62,420 locally owned renewable energy projects in Wales, with an installed capacity of 575 MW. This is split between 397 MW of electricity and 177 MW of heat capacity. Locally owned renewable energy capacity makes up 17% of total renewable energy capacity in Wales.
Solar photovoltaic is the most common technology in local ownership, and represents 52,431 of the 62,420 locally owned installations. The majority of these are domestic scale installations. However, onshore wind is the technology with the largest installed capacity in local ownership at 160 MW.

The UK Government mechanisms such as the Renewables Obligation, Renewable Heat Incentive, Feed in Tariffs, the Capacity Market and Contracts for Difference are the main policy instruments in this non-devolved area. Collectively these have created a surge of renewable generation between 2010 and 2016 and costs of the technologies have fallen dramatically. UK Government has reduced the level of incentives in response to cost reductions and to control the costs of the support mechanisms. Renewable energy development no longer provides the previous very high rates of return which many had come to expect, although it still makes sense over the longer term. This call for evidence looks to explore the implications of the commitment to local ownership, taking into account the current difficult environment for renewable energy developments as well as their long term benefits.

Our aim

Our aim in exploring local ownership is to gather evidence about how renewable energy generation can secure benefits for Wales and spread this benefit in a more equitable way. We aim to use the call for evidence to help identify the challenges developers, businesses, local authorities, communities and others will need to overcome to deliver more renewable generation in local and shared ownership.

We believe it is possible to design energy developments that local people can support and buy into. A collaboratively designed project, with communities, either groups or local authorities, bringing local knowledge and support and developers bringing their commercial and technical skills, could be an effective way of developing good projects in the right places.

The call for evidence is an opportunity for communities, developers, other businesses and public sector bodies to provide evidence. We are looking for examples of organisations working together to deliver jointly owned projects. We also seek evidence on the specific support needs to increase local or shared

1 Adapted from Energy Generation in Wales
ownership of new renewable energy projects. We are keen to hear about experience from within Wales and the UK as well as evidence from across the world.

Definitions

We use the term “local energy” to refer to generation owned by Welsh organisations, which provide benefit to Wales by their contribution to the financial viability or resilience of the owning organisation.

Our proposed definitions are set out in Section 2.

Future services

The call for evidence seeks the views of developers, communities, the public sector and other stakeholders on how we should take forward local and shared ownership in Wales.

Communities and businesses across Wales have benefited from support under the Rural Development Programme, which recognises the role of renewable generation and energy efficiency to the resilience and prosperity of rural areas.

Welsh Government is also supporting public sector bodies to develop both energy efficiency and renewable energy projects through the Green Growth Wales Service.

On the innovation front, Welsh Government is working closely with Local Authorities, Universities and Network operators to facilitate Smart Living demonstrators covering place-based and needs-led proposals using innovative technologies, systems and processes to inform the future.

We believe that communities are the least well-resourced of all local owners, which is why we have supported them through the Ynni’r Fro and Welsh Government Local Energy programmes.

Welsh Government is currently considering what support might be needed to increase local generation. The call for evidence will help us address any need through our support services and guidance.

Further information

We will be holding a series of workshops early in 2018 as part of the call for evidence process. If you would be interested in attending these workshops, please email energypolicymailbox@gov.wales.
Section 1: Targets

The Cabinet Secretary for Environment and Rural Affairs has set an energy target of 1 GW of renewable electricity capacity in Wales to be locally owned by 2030 and an aim that by 2020 all new renewable energy projects should have at least an element of local ownership. She has set these renewable energy targets for local ownership to ensure we capture the benefits for Wales from the transition to a low carbon energy system.

Currently the 1 GW target includes only renewable electricity projects. We are conscious this could have a negative impact on heat projects, which are difficult though very important for decarbonisation. The Welsh Government is considering expanding this target to include both electricity and heat.

We are also considering whether there might also be an expectation that other energy projects could be taken forward on a shared ownership basis.

**Question 1:** Please provide evidence to support or reject expanding the 1GW target to encompass both electricity and heat projects.

**Question 2:** Please provide evidence on the level of ownership we should consider reasonable to fulfil the requirement.

**Question 3:** Please provide evidence to support or challenge expanding the expectation on shared ownership to encompass other new electricity and heat projects.

[Return to Section 1 responses]
Section 2: Definitions

Local ownership

We define locally owned energy as energy installations located in Wales and owned by an individual or an organisation wholly based in Wales or whose principal headquarters are in Wales. This includes the following categories:

- Farms and estates
- Local Authorities
- Registered Social Landlords
- Businesses based solely in Wales
- Businesses whose principal headquarters are in Wales
- Other public sector organisations
- Charities and other third sector organisations
- Households and other domestic scale generation

Question 4: Do you agree with the definition of local ownership above?

☐ Strongly Agree  ☐ Agree  ☐ Neither agree nor disagree  ☐ Disagree  ☐ Strongly Disagree

Please provide evidence to support or amend the local ownership definition.

Shared ownership

Shared ownership is a project owned by more than one legal entity. Examples exist where the ownership of a project is shared between a developer and a community group, individuals or a public sector organisation. Shared ownership projects can involve more than one commercial organisation.

However, in order to be considered as a shared ownership project under the target set by the Welsh Government, we would expect one or more of the owning bodies to be one of the organisations or individuals included in the definition of “local energy”.

In our view, shared ownership should involve people who live and work in Wales, and provide benefit to Wales, not only external shareholders. Shared ownership might involve people local to the development from the design stage onwards and offer an opportunity for them to become shareholders in energy projects.
Question 5: Do you agree with the definition of shared ownership above?

- [ ] Strongly Agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly Disagree

Please provide evidence to support or amend the shared ownership definition.

Community Ownership

We define a community installation as an energy development located in Wales which is wholly owned by a social enterprise whose assets and profits are legally committed to the delivery of social and/or environmental objectives in Wales.

Question 6: Do you agree with the definition of community ownership above?

- [ ] Strongly Agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly Disagree

Please provide evidence to support or amend the community ownership definition.

Businesses and landowners in particular have been making great progress in deploying renewable generation. However, to meet the 1 GW target we think we will need to support Welsh communities, individuals, public sector bodies and businesses to develop or secure a share of ownership in larger scale developments.

Community energy projects are focused on developing assets owned by the local group or community, using all the benefits it generates to deliver locally beneficial outcomes. Unlike other organisations included in the local definition, they often have little or no access to funding and development expertise. Welsh Government has therefore supported communities to develop renewable energy projects since 2010. We understand, from our close work with groups across Wales, what support is needed to do this. We continue to support communities to bring forward their own generation and to explore ways to use the energy locally.

However, these wholly community owned models remain relatively small in number. Expecting every group to learn to become an energy developer is a relatively inefficient way of increasing locally owned generation. This approach is also likely to
disadvantage more deprived and less well connected communities. There is an emerging group of social enterprises with a track record of delivering energy projects, some of which are developing assets on behalf of other communities in cooperative and collaborative models.

Shared ownership of larger projects could be an important way of growing the amount of energy generation in local ownership in Wales, and delivering real, lasting benefits to the communities who host these projects. We have little evidence to date of shared ownership projects in Wales, or of what is needed to ensure they deliver the anticipated benefits.

We are supporting Community Energy Wales (CEW), whose Directors include lead figures from many of the community based social energy developers, to work with commercial developers to find new opportunities to develop shared ownership projects in Wales. Natural Resources Wales (NRW) is also working with CEW to identify how we can exemplify this approach to shared ownership on public land.

Return to Section 2 responses
Section 3: Evidence of Benefits of Ownership

Ownership

Renewable energy projects can provide both financial and non-financial benefits. Any commercially viable project will deliver a profit for its owner. Where the owner is based in Wales (the development is locally owned) we consider this should increase prosperity in Wales.

Local economic benefit

Renewable energy will also deliver employment through its development, delivery, maintenance and disposal. All projects will deliver some element of local employment, which can be more or less profitable.

Some developers work hard to procure local contractors to develop and deliver projects. This depends on the capacity and quality of supply chain being available as well as on the desire of the developer to buy local. In Wales, the local expenditure has principally been in civil engineering such as ground works.

We welcome evidence of local benefit of projects delivered in Wales to date. We also welcome evidence of skills or supply chain shortages preventing developers spending the majority of their development and construction finance in Wales.

Community Benefit Funds

Renewable developments which have been funded through UK Government incentives or subsidy have also tended to provide community benefit packages. Depending on the size of the installation they can be cash funds, generally about £5,000 per MW installed capacity annually. They can also include environmental or social benefits, such as training, education or environmental restoration, often as planning conditions.

Community benefit funds can be significant for an area, particularly with large scale developments. However there is evidence that it will be more challenging to provide significant community benefit funds in an era with low or no Government support mechanisms.

Investor Benefit

Investors in a project are able to benefit from a proportion of the income from the project through the interest they receive. The income can be variable and, as in any investment, can be at risk. Developers generally have some access to their own funds, or have relationships with one or more funding organisations. Securing all their funding from one or two funders is relatively simple in terms of due diligence and contractual arrangements. However we are given to understand that it can be very difficult for individuals or small funders to invest in a project.
Share offers

Communities have tended to raise money from share offers (similar to crowd funding) where an investment proposal is made and people choose to buy in. It is possible to invest as little as £50 in such share offers. However it can take a long time to develop and promote a share offer, and to get the level of investment needed. Share offers generally tend to appeal to individuals able to invest their own money and with a willingness to wait a period of time for the investment to repay.

Non-financial benefits

Many organisations, particularly community groups, do not develop renewable energy projects solely for financial benefit. The non-financial benefits of a locally owned renewable energy scheme can be as follows:

- Community empowerment
- Skills development
- Increase cohesiveness of communities
- Increased understanding of energy
- Potential control of own energy supply
- Tackle local fuel poverty either by supporting energy efficiency measures or reduced fuel costs
- Acceptability of the project within the local area
- Consequential support for other projects within the local area
- Delivery of other local priorities from income received

In theory, shared ownership could bring some of the non-financial benefits listed above to larger projects. This could potentially result in lower capital and revenue development costs and responsibilities for each party, and deliver more non-financial benefits. However it is likely to increase the complexity of the project.

Question 7: Please provide evidence of benefits already being delivered for Wales from renewable energy projects.

Question 8: Please provide evidence of the relative value of the different benefits outlined in the section above. As part of this assessment we would welcome evidence about what the priorities should be for action to secure increased benefits to Wales.

Return to Section 3 responses
Section 4: Challenges of shared ownership projects

To help develop shared ownership, the Local Energy Service provides a partnership portal. This is intended to help organisations such as local authorities, developers, community groups and investors to be connected to deliver renewable energy projects, or to share their experiences and offer peer support. However, the portal has not been utilised to its full potential and it is not backed by other support.

Communities are not resourced in the way developers, public sector bodies and other businesses are. In relation to shared ownership, we have heard anecdotally about reluctance on the part of communities to work with larger developers due to the difficulties in getting a community consensus that this is the right thing to do, a lack of trust or a potential power imbalance between partners with differing capacities and resources. It is possible that also developers are also reluctant to involve community groups due to increased complexity, cost and challenges in accessing finance. All partners are likely to need support to take forward shared ownership projects.

Question 9: Please provide evidence of specific challenges in relation to shared ownership projects. As part of this assessment we would welcome evidence about whether shared ownership itself represents a barrier to deployment of renewable energy projects.

Question 10: Please provide evidence about where a challenge or barrier to shared ownership has been successfully addressed.

Return to Section 4 responses
Section 5: Ownership Models

Renewable energy projects may be owned by and operated by a single person or organisation, with that person or organisation receiving all the benefit. Ownership models with a single legal owner include the following:

- **Individual Ownership**: an individual owns the project e.g. domestic installation.

- **Owner Operator (including 100% community ownership)**: a project wholly owned by a business, public body or other enterprise. The owner fully controls the project and receives all the benefits.

Shared ownership models share benefit between two or more parties. These can include a commercial developer, a public body, a landowner, individual, business or community group. The principal types of models with an element of shared benefit are as follows:

- **Joint venture** – the commercial operator and other organisation work together to create a joint venture to develop, own and manage the renewable energy project. Usually a new company is formed to develop and manage a new generation project, with shares in the company being held by each partner.

- **Shared/Split ownership** – where a scheme is divided into two or more separate generating systems, each of which can then produce energy for the benefit of the owner. For example, a community organisation or local business might get the revenue generated from one or more wind turbines in a multi-turbine project. This could be **commercial developer led** (project development and construction is led by a commercial developer, with the community being offered or gifted an investment stake/shares in the shared ownership project) or **local developer led** (project development is led by the business, public authority or community and a developer is approached to construct and invest in the shared ownership project).

- **Shared revenue** – the commercial operator develops the project and offers a revenue share to another organisation which invests a financial stake in the development in return for a share of the profits. However the other organisation does not own a physical asset, but buys the rights to a future virtual revenue stream, calculated on the basis of a specified proportion of the output of an installation, less agreed operating costs and generally less virtual debt service. This is calculated as if the other organisation had acquired the underlying infrastructure.

The following types of legally constituted community organisations have been identified:

- **Community Benefit Society**: people in the local community become members of the society and buy shares to finance the project. **Community charities**: usually take the form of an association with charitable status that provides or runs facilities for the local community. Such charities can also have trading arms for community interest companies to provide local services such as management of energy projects.
• **Trusts**: used to represent communities’ interests in community ownership.

The case studies below demonstrate how different approaches have been used in Wales.

### Case Study 1

**Project**: Bro Dyfi Community Renewables  
**Location**: Machynlleth in Mid-Wales  
**Technology**: Wind Turbine  
**Size**: 575 kW (2 turbines)  
**Generating**: generate enough electricity to meet the domestic need of 195 homes a year  
**Ownership**: 100% community owned co-operative

Bro Dyfi Community Renewables (BDCR) is a community-led, community-owned renewable energy co-operative in the Dyfi Valley. Using refurbished wind turbines, BDCR provided an opportunity for people of the Dyfi Valley to own and operate two turbines located on the hills above the Centre for Alternative Technology.

BDCR promotes renewable energy generation, energy efficiency and carbon saving to Members and the wider community through the local Community Energy Fund. They also support the local sustainable development NGO, ecodyfi. Established in 2001, BDCR are Wales’s oldest established community energy project and over 65% of their share holders live in the local SY20 - 23 postcode areas.
Case Study 2

**Project:** Transition Bro Gwaun – Abergwaun Community Turbine

**Location:** Fishguard, Pembrokeshire

**Technology:** Wind turbine

**Size:** 225 kW

**Generating:** 590,000 KWh per year, equivalent of powering approximately 140 homes a year.

**Ownership:** Joint ownership venture equally split between community and land owner

Transition Bro Gwaun’s share of the profit will be used to help fund other low carbon community projects through a Low Carbon Community Regeneration Fund. Grants would be awarded to projects that can demonstrate significant carbon reduction.
Case study 3

Project: Pen y Cymoedd Wind Energy Project

Location: Neath Port Talbot/Rhondda Cynon Taf

Technology: Wind Turbine

Size: 228 MW (76 turbines)

Generating: Generates enough electricity to meet the domestic need of 188,000 homes a year, the equivalent of 15% of Welsh homes.

Ownership: 100% developer owned (Vattenfall).

Pen y Cymoedd Wind Energy Project is the largest onshore wind farm in England and Wales. £220 million of the £400 million cost was spent in Wales, securing over 1000 jobs and resulting in 23 full time, locally based posts.

The Pen y Cymoedd Community Fund represents direct local community investment from the Pen y Cymoedd Wind Energy Project into the area hosting the project in the upper Afan, Cynon, Neath and Rhondda Valleys. The fund will be the largest wind energy community fund in the UK, making available around £1.8m annually for the operating life of the wind farm of around 20 years. More than 3000 residents, groups and organisations of the upper Rhondda, Cynon, Afan and Neath Valleys have helped shape the vision for the fund. The fund will be managed by a Community Interest Company, established by Vattenfall, to deliver maximum benefit. The Board was appointed earlier this year through an open recruitment process.

Question 11: Please provide evidence of developments using other ownership models not included above.

Question 12: Please provide evidence to demonstrate the most useful models in delivering shared ownership and local benefit.

Return to Section 5 responses
Section 6: Finance

Current evidence suggests that the main sources of capital funding for renewable developments are provided by traditional commercial lenders: high street banks; lenders providing finance specifically for renewable energy projects; public sector funding sources such as Public Works Loan Board; charitable bodies and national lottery funding; the Development Bank for Wales; and the Welsh Government’s Sustainable Production Grant, Local Energy Fund and Green Growth Wales finance offers. There are local or regional groups providing capital grants to finance projects in their area. Community funds from large renewable projects, such as Windfall and Pen y Cymoedd Community Fund, are now starting to provide regional funds.

Case Study 4

Project: Windfall (Mid Wales Community Energy Trust)

Location: Mid Wales

Nature: Community benefit fund

Annual income: currently £20,000 a year

Legal status: Company limited by Guarantee

Official aim: For the benefit of the community and the protection of the environment, to promote and facilitate sustainable energy and energy efficiency.

Contact: www.windfall.org.uk

Windfall collects a proportion of the revenue from energy generation in Mid Wales and redistributes it as grants for energy efficiency and renewable energy projects to communities near contributing wind farms. The area of Montgomeryshire receives the benefit, particularly the Community Council areas of Carno, Caersws, Trefeglwys, Dwyriw, Llanbrynmair and Llanerfyl. Amegni, owner of Carno 2, is the major donor.

Beneficiaries have included Trefeglwys school (PV), other schools (educational projects), and Carno Community Centre (wood pellet heating, heat management and PV).

Most community projects have also raised finance through share offers. In many cases these share offers have been launched during or after the build of the projects. The share offer has then been used to pay off debt finance.

Shares in a community energy scheme almost always replace what would have been commercial debt finance from outside Wales and are often the route to equity for a community group. Where shares are bought by local people, the dividend
payments will deliver local wealth retention. However it is difficult to restrict share offers to a geographic area.

The rationale for local ownership set out earlier in the call for evidence was based on benefits being directly related to the ownership of projects. We asked questions previously about whether the ownership of the project or ownership of the capital conveyed more benefit. If benefits are related to ownership of the capital, there may be a need to raise more Wales based capital.

Case study 5

**Project:** Egni Wales Solar PV Co-op

**Location:** Community buildings in the South Wales Valleys

**Technology:** Solar PV

**Size:** 119kWp

**Ownership:** Co-operatively owned

Egni Wales Solar PV Co-op is a co-operative set up to put solar panels on community buildings. The Share Offer raised £171,000 from 94 members. The money raised was used to pay for the installation of solar panels. The community buildings receive free electricity generated by the solar panels, whilst the income from the Feed In Tariff goes back into the co-op and is returned to members. In 2016 60kw of solar were installed on two new sites with bridging finance from Robert Owen Community Banking. A new share offer is planned in 2018 to repay Robert Owen and fund additional installations. Egni’s existing sites are:

- Awel Aman Tawe, Cwmllynfell
- Dove Workshops, Banwen
- Glynneath Training Centre
- Ysgol y Bedol, Garnant
- Seven Sisters Community Centre
- Phoenix Centre, Swansea
- Trimsaran Leisure Centre

**Question 13:** Please provide evidence of the types and sources of finance used to develop energy projects in Wales. Evidence to support or challenge the continuation of Welsh Government finance offers would be helpful.

**Question 14:** Please provide evidence of the impact of shared ownership models on access to or cost of finance.

[Return to Section 6 responses]
Section 7: Role of investment mechanisms and Energy Company

Earlier this year Welsh Government collected evidence and views about the potential for a ‘not for profit’ energy company for Wales. We held a series of consultation events in March. These events looked at an energy supply company specifically. However, it also gathered opinions on additional functions needed to support the delivery of energy policy or social justice outcomes in Wales, which could involve establishing a not for profit energy company.

The process developed a clear consensus around the risks, challenges and tensions inherent in Welsh Government setting up and running an energy supply company. Many people involved in the consultation felt government had an important trusted neutral voice, which could be lost if participating in the market. Overall, it was felt the risks of creating a Welsh Government supply company would heavily outweigh the potential benefits. An independent report on the events was published in August.

A Written Ministerial Statement was issued in August which set out that we do not believe a strong case has been made for establishing an umbrella supply company for Wales. However, we have undertaken to evaluate whether there is a potential role for not for profit energy companies in encouraging more shared ownership of renewable energy projects through this call for evidence.

It has been suggested that a Wales-wide investment mechanism might be useful to raise Welsh funds to help fund locally owned projects, perhaps on a not for profit basis. Such a mechanism might enable individuals to invest in central fund, and raise funds in advance of the need for investment. This could reduce the need for construction finance, or might spread project risk across a portfolio, reducing the risk to individual investors. There is little evidence whether this will actually increase the local retention of benefit, impact on current market provision, encourage additional investment or enable larger portfolios of projects to be developed.

There may be other roles in delivering the ownership targets, which would be best delivered by formation of a not for profit energy company.

We are therefore seeking further evidence in relation to the not for profit energy company for Wales concept before deciding whether to pursue these further.

Question 15: Please provide evidence to support or challenge a role for a ‘not for profit’ energy company for Wales to help deliver local ownership targets.

Question 16: Please provide evidence of the need for an investment mechanism to increase availability of Wales based capital for investment in energy projects.

Return to Section 7 responses
Section 8: Next Steps

The evidence we receive as a result of this call for evidence will determine the action we take. We hope it will confirm our view that increasing local ownership of energy generation will contribute to increased prosperity in Wales as well as reconnecting people with the sources of the energy we use at home and at work. This understanding and connection is fundamental to achieving a low carbon future.

We may wish to review the targets on ownership as a result of evidence received. We will definitely use the information in continuing to evolve our service provision in support of the targets. There may also be need for more guidance, either from government or from sector bodies.

We will publish a summary of the evidence received, and follow this publication with an update on any further action necessary.
Consultation Response Form

Your name:

Organisation (if applicable):

email / telephone number:

Your address:

Are you:
- An individual
- Community group
- Social enterprise
- Developer
- Public sector
- Third sector

Please provide some information about your interest in this area.
Section 1: Targets

Question 1: Please provide evidence to support or reject expanding the 1GW target to encompass both electricity and heat projects.

Question 2: Please provide evidence on the level of ownership we should consider reasonable to fulfil the requirement.

Question 3: Please provide evidence to support or challenge expanding the expectation on shared ownership to encompass other new electricity and heat projects.

Section 2: Definitions

Question 4: Do you agree with the definition of local ownership above?

- [ ] Strongly Agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly Disagree

Please provide evidence to support or amend the local ownership definition.
Question 5: Do you agree with the definition of shared ownership above?

- [ ] Strongly Agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly Disagree

Please provide evidence to support or amend the shared ownership definition.

Question 6: Do you agree with the definition of community ownership above?

- [ ] Strongly Agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly Disagree

Please provide evidence to support or amend the community ownership definition.

Section 3: Evidence of Benefits of Ownership

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Question 14: Please provide evidence of the impact of shared ownership models on access to or cost of finance.

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Question 15: Please provide evidence to support or challenge a role for a ‘not for profit’ energy company for Wales to help deliver local ownership targets.

Question 16: Please provide evidence of the need for an investment mechanism to increase availability of Wales based capital for investment in energy projects.

Question 17: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here: □