



Llywodraeth Cymru
Welsh Government

POLICY STATEMENT

Local ownership of energy
generation in Wales –
benefitting Wales today
and for future generations

Ministerial Foreword



This is a time of huge opportunity and unprecedented change for the energy system. Our economy is being reshaped by the collective need to respond to the climate emergency.

Wales has a long legacy as a UK powerhouse and we have high ambitions for a prosperous low carbon future. In order to seize the benefit from this period of change, Wales must lead with ambition, identifying and securing the benefits for Wales.

We must replace fossil fuels with renewables for our ongoing and sustainable energy generation. However, this will only bring prosperity to Wales if we retain its benefit. This is why, in September 2017, I set targets, focusing not only on new capacity but on how the transition benefits Wales:

- Wales to generate electricity equal to 70 per cent of its consumption from renewable sources by 2030
- 1 gigawatt (GW) of renewable energy capacity in Wales to be locally owned by 2030
- New renewable energy projects to have at least an element of local ownership from 2020

Since 2010, renewable electricity generation in Wales has trebled. In 2018, renewable generators in Wales produced electricity equating to 50% of Wales' use. At the end of 2018 Wales had 778MW of renewable energy capacity in local ownership, against our 1 GW target. The policy climate, set by the UK Government, presents challenges for further investment in renewable energy. My aim, however, is for Welsh Government, energy developers and the people of Wales to work together to deliver renewable energy and embrace the opportunities and benefits presented by the transition to a low carbon economy.

In December 2018, I published our response to the Welsh Government's Call for Evidence on Locally Owned Renewable Energy, which committed to publishing a position statement on the issue. I am pleased to publish this statement setting out our position.

We look forward to working with communities, businesses, individuals, the public sector and developers to increase prosperity by encouraging more locally owned energy generation in Wales.

1. Overview

Decarbonisation offers enormous opportunities to create a vibrant and socially just economy. We must make a difference and help create a society here in Wales which ensures well-being and tackles inequality as we decarbonise.

Much of our economy has historically been driven by fossil fuels. Fossil fuels have for a long time powered our homes and businesses, transported goods and heated our buildings. There is however, a heavy price paid. As well as the greenhouse gas emissions caused by burning fossil fuels, few of the fossil fuels are derived from Wales and therefore the current energy system results in significant economic leakage from Wales. With technological advances and increased leadership we can create an energy system to retain much more of the economic value for Wales.

As set out in *Prosperity for All: a Low Carbon Wales*, Wales must meet more of its energy needs from renewable sources. In May 2019, Great Britain lasted two weeks without using coal power to generate electricity for the first time since 1882. Our approach is to encourage more of these new renewable energy assets to be developed by Welsh organisations, using our abundant natural resources to meet local needs.

In 2018, the Welsh Government conducted a call for evidence on local ownership of renewable generation. It sought evidence from stakeholders about what benefits developments are currently providing to Wales, and looked to identify how new generation could help to deliver a more equal society. We also sought evidence to inform how Welsh Government could support the development of more locally owned generation, including through shared ownership models, to support our renewable energy targets.

In December 2018 we published our response to the call for evidence, including our analysis of the evidence provided and the actions we said we would take as a result. This policy statement sets out our approach to increasing benefit from new energy generation in Wales.

2. Definitions

The call for evidence identified the need for a clear understanding of some commonly used terminology. We have set out the meaning of the terms as we use them within the Welsh Government.

Local ownership

We define ‘locally owned’ installations as energy installations, located in Wales, which are owned by one or more individuals or organisations wholly owned and based in Wales, or organisations whose principal headquarters are located in Wales. This includes the following categories:

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

Shared ownership

‘Shared ownership’ refers to 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, landowners, 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

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.

3. Targets

Following analysis of the call for evidence responses, the targets for energy generation in Wales were amended and are now as follows:

- Wales to generate electricity equal to 70 per cent of its consumption from renewable sources by 2030
- 1 gigawatt (GW) of renewable electricity and heat capacity in Wales to be locally owned by 2030
- New renewable energy projects to have at least an element of local ownership from 2020

Originally, the 1GW local ownership target only applied to renewable electricity. However, in the call for evidence we proposed to broaden this to include heat. The respondents to the call for evidence broadly agreed with this proposal, although there were some concerns this would reduce the scale of the challenge. Therefore, our target is now to have 1 gigawatt (GW) of locally owned renewable electricity and heat capacity in Wales by 2030. This target applies to renewable energy generation within Wales (including in Welsh waters).

We have also broadened the expectation for all new renewable energy projects to have at least an element of local ownership from 2020 to include offshore generation and non-renewable energy technologies. Responses to the call for evidence suggested without this amendment, onshore renewable technologies may be disadvantaged in relation to offshore generation and other energy technologies.

4. Purpose of the policy

The intent of this policy is to retain social and economic benefit from future energy developments located in Wales. Research undertaken by the Centre for Low Carbon Futures, across a range of global city regions, shows significant export of economic value simply by paying energy bills. From equivalent studies done in the UK, we estimate Wales could be exporting between 6%¹ and 10%² of Gross Value added. Locally owned generation provides a strong opportunity to retain money in the local economy, contributing to prosperity.

We expect all new energy projects in Wales to include at least an element of local ownership, in order to retain wealth within Wales and provide real benefit to communities across Wales.

The understanding we have developed from the projects we have directly supported in the public and community sectors leads us to consider ownership, and participation, in the early and riskiest stages of development creates the majority share of benefit (Fig. 1). Therefore, in order to maximise the benefit to Wales from an energy development, it should be wholly owned in Wales. (Fig. 2). However, this would also require the Welsh body to take on all the risks of development, which we understand may not be appropriate. This is why we have developed a “hierarchy” of models in terms of the value they deliver to Wales. 100% locally owned projects are at the top of the hierarchy, provided the organisation has the capability and capacity to manage the risks.

¹ <http://bristol.ac.uk/cabot/media/documents/bristol-low-carbon-cities-report.pdf>

² https://www.sustainabilitywestmidlands.org.uk/wp-content/uploads/Mini_Stern_review_for_Birmingham.pdf

Figure 1: Participation in the early and riskiest stages of development, creates the majority share of benefit (green boxes show low risk stages of a project, yellow boxes show medium risk and orange show higher risk)

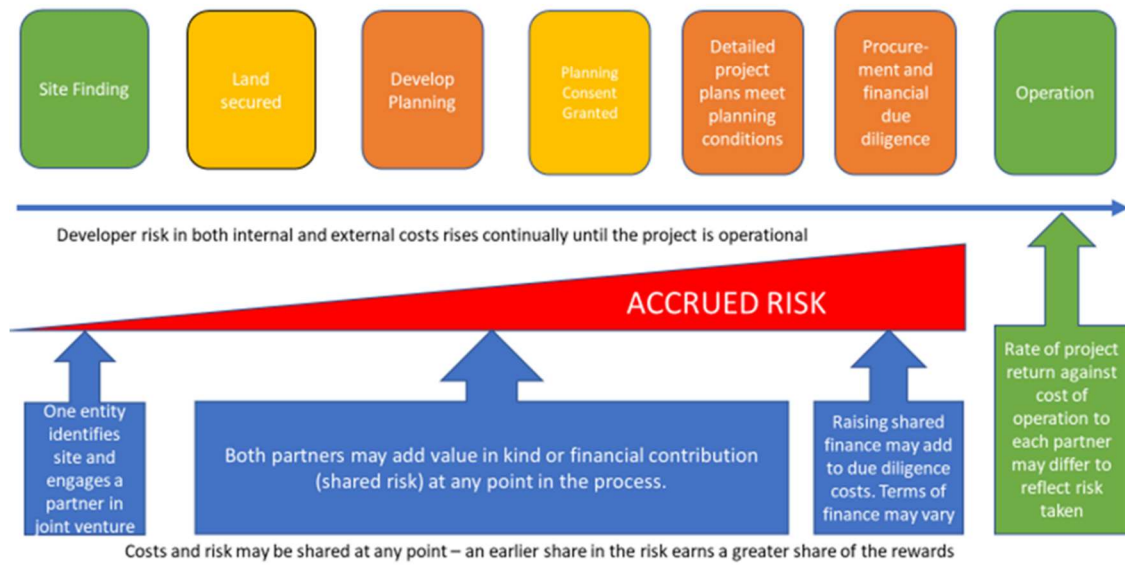
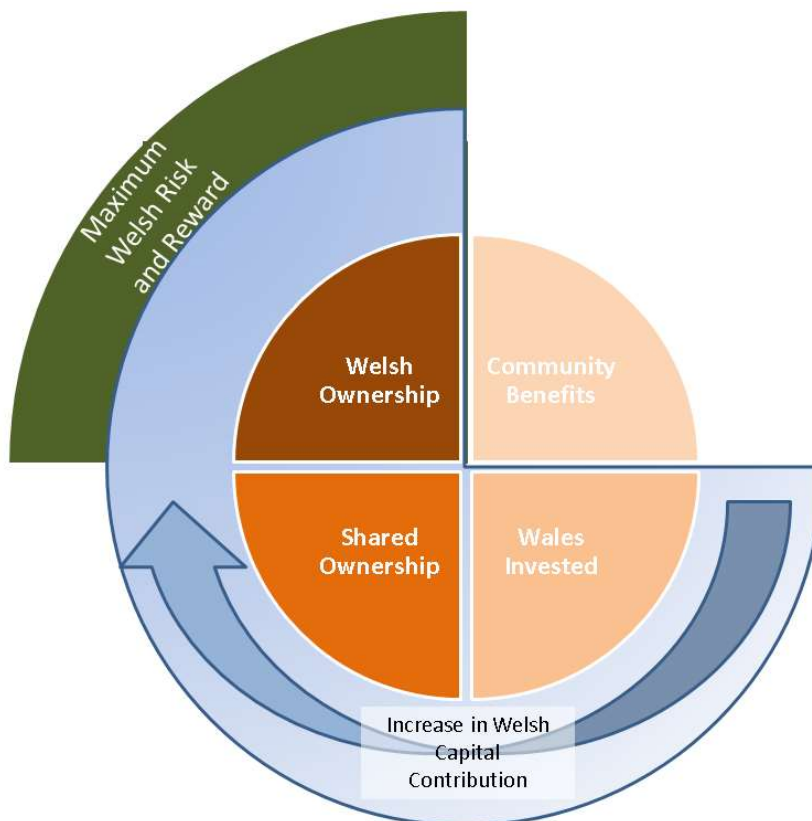


Figure 2: Energy projects wholly owned in Wales maximises potential risk and reward for Wales



The following models would fulfil the expectation for all new energy projects to have an element of local ownership by 2020, delivering a successively decreasing proportion of benefit to Wales:

100% local ownership	Welsh organisations or individuals identify opportunities for new development and take it forward as a developer, e.g. local co-operative ownership, Local Authority ownership, Welsh business, Community ownership through a Community Benefit Society, etc.
Part local ownership	Welsh organisations or individuals are co-owners with another organisation to take forward a new development, for example as a joint venture or shared revenue.
Local investment	Developer not based in Wales offering local people or organisations a credible and accessible opportunity to buy shares or make an investment delivering an element of ownership in another way.

We accept this will be challenging. Wales does not have a state owned or not for profit developer of any scale – though our support for community energy over the last ten years has resulted in the emergence of social enterprises playing an increasingly important part in the evolving energy sector.

The target to generate 70% of the electricity we use in Wales from renewables by 2030 is driven by the climate imperative. We recognise the tension between the need to deliver significant new generation capacity, thoughtfully planned to meet current and future needs, as quickly as possible, and the ambition to have far greater ownership of energy assets in Wales.

This policy is not intended to inhibit development in Wales by experienced developers, who have the skills, capacity and desire to generate electricity which meets needs and is designed and delivered in harmony with the people and places hosting it. However, it does set out our expectation for developers to make every effort to deliver the expected element of local ownership.

The call for evidence identified energy projects can provide both financial and non-financial benefits in the following ways:

- Ownership
- Payments to landowners
- Supply chain jobs/profit during construction and Operation and Maintenance
- Non-domestic rates payments
- Legacy infrastructure such as roads, grid and broadband
- Investor profit
- Community Benefit Funds
- Non-financial benefits

Historically, owners of renewable energy developments have received significant financial benefit from Contracts for Difference, Renewable Obligation or Feed in

Tariff. There has been a substantial change in the support mechanisms and new projects currently do not have access to the same level of guaranteed income. It is therefore difficult for projects not receiving the historic level of support to generate financial surpluses from which to pay higher levels of land rental or a community benefit fund. However, Welsh Government expects the continuing cost reduction of renewable technologies will improve the financial viability of projects and provide opportunities for projects to come forward.

Wales is likely to continue to host large scale energy developments, although there is an expectation for such developments in Wales to focus on providing for the energy needs of Wales, particularly as heat and transport become electrified. In order for Wales to retain the benefits, we need more of these developments to be brought forward in response to local need, to support local economic and social plans, and deliver supply chain benefits to companies in Wales. Transparency from developers will be necessary to develop confidence the benefits offered by a project represent a fair and appropriate proportion of the overall value.

The Welsh Government and its services will continue to support delivery of locally owned projects. We will also provide support to help developers, public sector bodies and community groups to come to an agreement on the best approach to delivering benefit to communities from projects, whether it be through shared ownership or other approaches. Where communities choose to take a stake in a project, the service will support them in their role in taking this forward.

In Wales we hope to see a broad range of non-financial benefits from development such as: a reduction in greenhouse gas emissions, increased social cohesion, empowerment, resilience, social well-being, transferable skill development, and promotion of wider awareness of energy related and climate change issues. In addition, community renewable projects can build confidence and encourage communities to support other projects, such as community shops and pubs and develop enthusiasm and a sense of purpose in the local community. Developers can benefit from improved community engagement for a renewable energy project.

5. Level of ownership considered reasonable to fulfil the local ownership expectation

Any model which can be robustly demonstrated to be within the spirit and aim of the target may be considered to fulfil the local ownership expectation. Welsh Government considers there to be a range of options which fulfil the expectation to include an element of local ownership.

Whilst 100% local ownership is achievable and would retain maximum benefit in Wales, Welsh Government believes this may present a barrier to development, resulting in unintended consequences to decarbonisation targets and renewables deployment. In their recent report, ['Re-energising Wales - How to protect, promote](#)

and achieve scale in community and local ownership of renewable energy in Wales', the IWA recommended Welsh Government should set a requirement for all new renewable energy projects in Wales above 5 MW to have between 5% and 33% community and local ownership by 2020. It is useful to have independent advice on what level of benefit would be considered meaningful. However, the Welsh Government is concerned imposing a maximum level could inhibit ambitions.

Every effort should be made to maximise benefit for the people of Wales when developing energy projects in Wales, with opportunities for local ownership to be prioritised, whilst having regard to practicality and project delivery. The size and scale of a project may be one such practical consideration. For example, a project may be able to provide significant benefit to the people of Wales through a community benefit fund but ownership or investment from local people could be seen to add complexity which may prejudice the chance of the development happening. However, the principle still applies: in such cases a large public body might be a more appropriate partner. Welsh Government is currently considering how we might support public sector bodies and developers to explore potential opportunities.

We have established the Local Ownership Working Group, which includes third sector, public sector, community groups, legal advisors and energy developers, who are developing more detailed guidance on solutions and models.

6. Planning

National Planning Policy requires planning authorities to plan positively for the use of locally generated electricity and heat to help meet the national target of one Gigawatt by 2030. The latest version of Planning Policy Wales (PPW), published in December 2018, states planning authorities should use their evidence base to inform policies and proposals for local energy. Development plans should support identified opportunities for district heating, local renewable and low carbon energy generation schemes, and the co-location of new proposals and land allocations with existing developments, heat suppliers and heat users.

The Welsh Government supports renewable and low carbon energy projects developed by communities, or benefit the host community or Wales as a whole. The social, environmental and economic benefits associated with any development should be fully factored into, and given weight in, the decision making process. However, planning decisions must be based on an assessment of the impacts of the proposed development, irrespective of who the applicant is.