Llywodraeth Cymru
Welsh Government

Guidance for developers, local communities & decision-makers

Local and shared ownership of energy projects in Wales

June 2022

Contents

Executive Summary

Our energy system must undergo a rapid transformation in response to the climate emergency. We have statutory targets in place to reduce greenhouse gas emissions along a trajectory to net zero by 2050. The transformation to a smart, flexible system based on renewables will not only reduce emissions from within the sector but will also support the decarbonisation of the wider economy. This provides us with an unprecedented opportunity to ensure the best outcomes for the people of Wales in the transition to a more sustainable and abundant energy future.

In 2017, Welsh Government set a target for 1 GW of locally owned renewable energy generation capacity by 2030, and an expectation for all 'new energy projects to have at least an element of local ownership from 2020'. In 2020, we published our policy statement on local ownership of energy generation in Wales, including definitions of local ownership, shared ownership and community ownership. This document provides guidance for developers, local stakeholders, and decision-makers involved in Wales' energy sector on how to meet this expectation and any future revisions to local and community ownership targets.

The Welsh Government Energy Service supports public sector organisations and local communities to progress energy efficiency and renewable energy schemes. The Energy Service established a working group of representatives from the renewable energy sector to help in developing this guidance, and members of the Renewable Energy Deep Dive working group have endorsed this document.

The guidance provides a framework to utilise Wales' abundant natural resources whilst ensuring projects are designed and delivered in harmony with the people and places that host them.

It clarifies the options available for meeting the policy objective and the core benefits associated with an element of local ownership. Other wider benefits achieved by meeting the Welsh Government's energy targets are also outlined. A detailed consideration of the risk profile of project development highlights the importance of early engagement by all parties and the additional value and returns on investment that can be achieved by local stakeholders sharing in the risks from the earliest stage of project development.

The policy applies to all new energy developments equally, regardless of the technology or scale. The guidance grasps that policy ambition and recommends dialogue-driven processes to inform the decisions made during development, ensuring projects are developed inclusively.

The Collaborative Benefits Report (CBR) described in Chapter 7 is a practical tool which can help improve transparency throughout the development process and increase the participation of all stakeholders. This provides a pathway of engagement, enabling developers and local stakeholders to understand each other's needs, and an aspect of accountability to underpin mutually beneficial agreements and, ultimately, better projects.

The CBR can be submitted as evidence of good practice and local support, alongside the main planning application or Development Consent Order (DCO) application documents. While there is no statutory requirement to submit a CBR, it demonstrates the effort that has been made to ensure the project supports the policies contained in Planning Policy Wales, i.e. that renewable or low carbon technology should take into account the wider environmental, social and economic benefits and opportunities from renewable and low carbon energy development, as well as a similar requirement in the Wales National Marine Plan.

The Welsh Government Energy Service plays a key role in facilitating local ownership, providing bespoke advice, technical toolkits, and grant/capital loan financial support. Developers, community organisations, Local Authorities, and landowners interested in exploring opportunities for local ownership should contact the Energy Service in the first instance.

Wales has always been a UK powerhouse and we have high ambitions for a prosperous net zero future. To seize the benefit from this period of change, Wales must lead with ambition. We believe that projects will be delivered better when they are delivered together.

Chapter 1: Aims of this guidance

The policy context

The Environment (Wales) Act 2016 provides a statutory emissions reduction framework for Wales's net zero transition. It establishes a system of decadal targets and five-yearly carbon budgets to 2050. It also establishes a statutory duty on the Welsh Government to publish emissions reduction plans aligned with each carbon budget period setting out the actions to be taken in Wales to meet the carbon budget.

Net Zero Wales contains policies and proposals for meeting the 2021-2025 carbon budget and to set the foundations through a decade of action to make Wales net zero by 2050. For the energy sector within Wales, this will require a further scaling up of renewable energy generation to replace our dependence on fossil fuels and to cater for additional demand from the electrification of transport, heating and industry. Our renewable energy targets will be reviewed and consulted on in 2022 to ensure they reflect the evidence and scale of our net zero ambition and deliver the wider benefits needed across Wales.

To support our ambitions of a Net Zero Wales, the Deputy Minister for Climate Change conducted a Deep Dive into Renewable Energy to identify barriers and solutions to renewable energy generation with a particular focus on retaining wealth and ownership in Wales. The recommendations of that Deep Dive were published in December 2021 and highlighted the ambition stated in earlier policy statements for local ownership.

Increasing local ownership forms an important part of Welsh Government policy on increasing the retention of local economic benefit from energy project, but it is not intended to require developers to put projects at risk, or to diminish the ability to address net-zero by 2050.

Planning Policy Wales

This guidance is written primarily as a clarification and delivery mechanism for Welsh Government's energy policy, specifically its policy statement on local ownership of energy generation in Wales. Neither the guidance nor the policy statement seek to contradict the requirement of paragraphs 5.9.24- 5.9.28 of Planning Policy Wales edition 11 (PPW), which set out the Welsh Government's support for community benefits while confirming that planning decisions must ultimately be based on an assessment of the impacts of the proposed development, irrespective of who the applicant is.

PPW states that 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 engagement journey proposed in this guidance will assist in identifying and securing the co-benefits outlined above, and the CBR can contribute to the evidence base referred to in the Practice Guidance on Planning for Renewable and Low Carbon Energy.

Future Wales

Future Wales, the National Development Framework, sets the planning policy context for the determination of Developments of National Significance (DNS). It reinforces the Welsh Government's policy associated with community benefits and in the context of large scale renewable and low carbon energy schemes and requires developers to explore how infrastructure improvements associated with a development may be utilised by the host community to bring additional non-planning benefits. Although not a planning consideration, this specifically includes the possibility of local ownership as a mechanism to ensure that the benefits of any scheme are accrued over the long term. Future Wales has development plan status.

Wales National Marine Plan

The Wales National Marine Plan provides a framework to ensure our marine natural resources are used in a way and at a rate that maintains and enhances ecosystem resilience and the benefits they provide. A resilient and biodiverse marine environment contributes to our well-being, cultural identity and sense of place. Building resilience into our marine ecosystems and recognising the benefits they provide when managed sustainably is integral to the plan's vision for the sustainable development of our seas. The plan recognises the role that marine renewable energy has to play in contributing towards achieving our carbon reduction ambitions and encourages sustainable renewable energy developments and other projects to come forwards that can contribute positively to the wellbeing of coastal communities.

The local ownership objective

This guidance supports the target for at least 1 gigawatt of renewable electricity and heat capacity to be locally owned by 2030 and the expectation for all new energy projects to have at least an element of local ownership from 2020. It should be read in conjunction with the policy statement "Local ownership of energy generation in Wales – benefitting Wales today and for future generations". This guidance supports local stakeholders, developers and decision-makers to work together effectively.

Our objective is to retain social and economic benefit from future energy developments located in and around the coast of Wales as we transition to zero carbon. Local ownership of all energy developments should provide Wales with a fair and proportionate share of benefit in return for hosting them. This, in turn, will contribute to the well-being of local people.

Outcomes of the policy and guidance

The guidance encourages engagement between developers and local stakeholders, enabling them to jointly identify and secure benefits by setting out:

- A clear benchmark for what developers and stakeholders can realistically expect from one another.
- A description of what good practices look like, and how they will be delivered by all parties.
- The opportunity for developers to be recognised for better projects.

The guidance provides a framework for identifying and including local stakeholders and potential partners in an engagement journey leading to:

- Pragmatic setting of stakeholder expectations.
- Maximised use of locally sourced cost-efficient services throughout the project lifecycle.
- Shared understanding of the wider benefits of developments.
- Better relationships with local communities, reducing opposition to proposals and balancing that opposition with the 'silent majority' which typically supports or is neutral towards energy developments.
- Enhanced local awareness of the need and reasons for achieving net zero carbon goals, and actions needed to achieve this.

The guidance also sets out in detail the critical relationship between the risks and the rewards of the process of developing and operating new energy projects. This demonstrates the principle that early investment earns the right to greatest benefit. Developers and stakeholders can benefit mutually from sharing risk (including financial risks) appropriately, within the relevant regulatory frameworks.

Who should use this guidance?

The guidance supports the following:

Developers

Developers may be privately-owned, commercial renewable energy businesses located entirely within or outside Wales, or with subsidiary offices within Wales. They may also be statutory authorities, housing associations, locally embedded social enterprises, or landowners.

Developers meeting the local ownership (LO) definition will meet the policy intent automatically. Nonetheless, there may also be benefits for locally based developers and communities in seeking shared ownership (SO) with individuals or organisations not meeting the definition, and the guidance provides for this.

Stakeholders

Stakeholders on local and shared ownership may be any individual or organisation in Wales meeting the definition of local ownership. Unlike the stakeholders in a typical community liaison group brought together for consultation on local planning applications, stakeholders in local ownership may also have regional or national interest in projects. This allows for the local ownership objective to be sought at all scales of project by stakeholders with the best possible match of governance and financial strength, and to bring a regional or Welsh ownership aspect to projects with a scale beyond the purely geographical location, or with projects where the impact on local communities is less direct (for example with marine technologies).

The guidance supports stakeholders by providing a framework for all parties to follow along the development journey, with the following specific benefits:

- Good practice standards and processes they can expect developers to meet.
- A voice in development plans from the early stages of proposals.
- Opportunities to maximise the uptake of local goods and services.

- Opportunities to shape better delivery plans for developments.
- A clear offer of a commercial stake in the project.

Landowners

Landowners based in Wales and developing projects on their own land will meet the definition of local ownership. This should not prevent landowners engaging with other local stakeholders to share the risks and rewards of development.

Local organisations working in partnership with landowners can ease the risks of the development process for both partners. The Transition Bro Gwaun wind turbine case study is an example.

Some local landowners have agreed 'below market' lease terms recognising their development partner will be investing project profits in the community. The Cwm Arian Renewable Energy (CARE) wind turbine case study demonstrates this.

Projects hosted by landowners living outside Wales risk leakage of financial benefit. This may taint the local perception of the project. Landowners should maximise reinvestment of income locally to the project where possible.

Landowners of public estate

Landowners of public estate should consider the local ownership policy whenever land is made available for energy project development. The policy objective may be maximised on publicly owned land in the following ways:

- Where a public body develops its own projects on its estate or works in partnership with other local stakeholders to co-develop those projects. This is particularly desirable as it maximises the local ownership and the benefit to the people of Wales
- Where a public body offers opportunity to develop energy projects on its estate by open tender, that tender may be structured with a scoring incentive to meet the policy objective, for example by bidding in partnership between an non-local developer and a local partner, or with a clear agreement for local ownership in place with a named local stakeholder
- At the time of writing, no public body in Wales exists with the capability or remit to develop the strategic scale projects that have in the past been let by public tender. However the Welsh Government is exploring options for a publicly owned energy company for Wales as committed in the current Programme for Government. Public bodies should consider the additional benefits that might be secured for the people of Wales were such projects to be developed by a publicly created and owned developer

Regarding offshore projects, the landowner is The Crown Estate (TCE), which is not a Welsh public body. While one social enterprise (Menter Môn)[1] in Wales has secured a lease for tidal and wave energy production in Welsh waters, the level of governance and financial liquidity required to qualify for entry into TCE leasing rounds typically excludes many social enterprises.

Decision-Makers

Local planning officers, local councillors and members of planning committees, planning inspectors and Welsh ministers will be able to measure good practice based on this guidance, knowing that this process is intended to maximise the local benefits of the development. The CBRs in Chapter 7 highlights the value of deep and broad engagement and the importance of recording the material benefits secured by that process.

1 Read more about Menter Môn as a case study in our Annex below.

Chapter 2: Local & Shared Ownership

Meeting the definition of local ownership

The policy statement defines local ownership as follows:

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.*

It is also reasonable to assume that co-operatives may fit within this definition.

Installations owned fully by a single individual or organisation, or a partnership of more than one individual or organisation from this list are defined as 'wholly locally owned'. The source of funding for any project is not material to the definition of local or shared ownership, although benefits from securing more local finance and investment may be recorded as part of the wider benefits discussed in Chapter 3. Locally owned projects do not need to compile a CBR but should demonstrate their full benefits as required by PPW (see Chapter 8). Projects meeting the definition but adding a specific 'community ownership' dimension may still find the processes in the guidance useful to follow and may choose to compile a CBR to record project improvements secured.

Meeting the definition of shared ownership

The policy statement defines shared ownership as follows:

'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'.

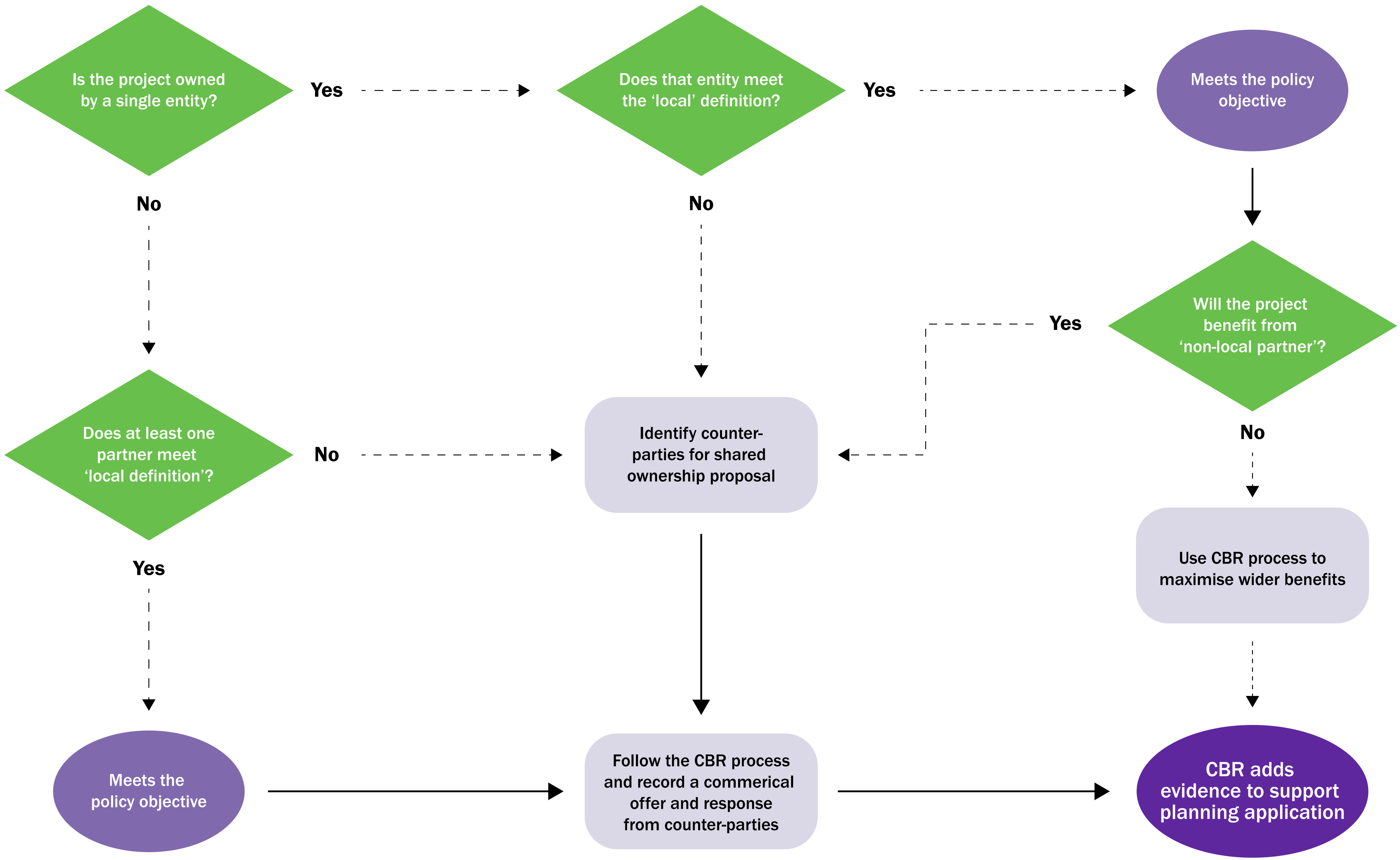
The policy does not determine any specific floor or ceiling value or percentage share to meet the local ownership target, recognising this will be determined by a range of factors considered in Chapters 4 & 6. The policy can be met by projects in which a local stakeholder is the majority or minority owner of a project, or vice versa. This recognises the potential benefits of shared ownership to any party across the range of possible scales and technologies of energy generation installations.

Furthermore, the shared ownership may be structured as an investment mechanism rather than as a direct controlling stake in the entity operating and energy project, where the scale of commercial and governance requirements make this a more realistic option.

As above, co-operatives may also take part in shared ownership.

Figure 1 offers a flow chart illustrating how to determine the status of any project and use the guidance to meet the policy objective

Figure 1 – Shared ownership flowchart



Community ownership

The policy statement defines community ownership as follows:

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.

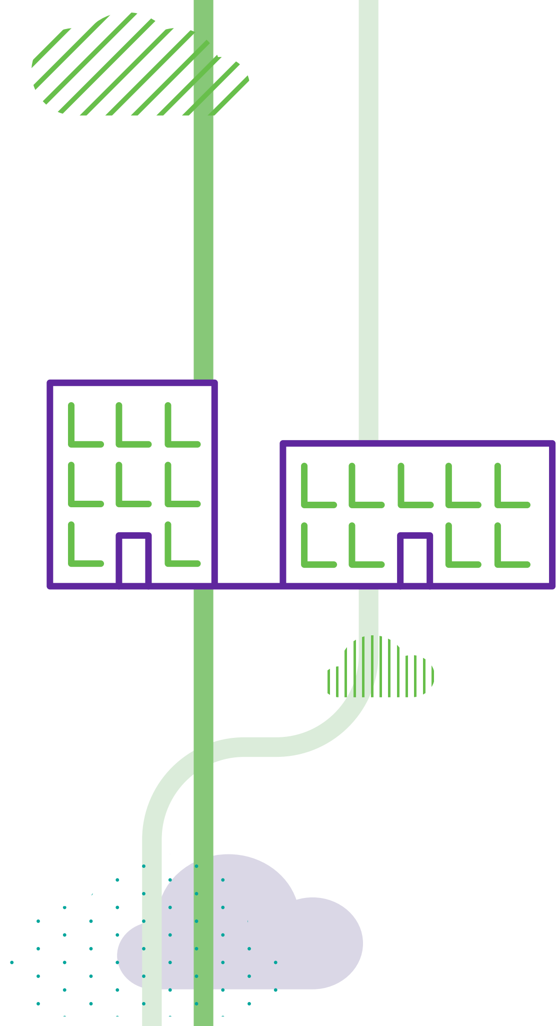
It should be noted that the scale of a social enterprise is not fixed by this definition but will be subject to the same needs for fiscal strength and governance as any other entity developing wholly owned or shared energy projects. Much of this guidance accounts for the fact that community groups developing energy projects might have limitations of capability and capacity. Nonetheless, as the community energy sector has grown it has developed more experience, capabilities and resources with organisations such as Awel Aman Tawe, YnNi Teg and Morlais now taking projects forward.[2]

New energy projects

This guidance does not seek to draw up a categorical list of technologies, applications or circumstances with regard to consenting regimes or grid connections. The policy covers **all energy** technologies from both renewable and non-renewable resources.

Asset owners should assume that the policy applies and consider the potential opportunities of an element of local ownership in **any** emerging energy projects, whether these are entirely new projects, extensions, re-powering, re-purposing or re-configuration of a technology mix or grid connection.

This is not intended to include ancillary works within existing energy sites that do not directly relate to energy production and export, such as administrative buildings – the policy covers specifically **energy**. If in doubt, developers should contact the Welsh Government Energy Service for advice.



2 Read more about Awel Aman Tawe as a case study in our Annex below. Additionally Morlais is discussed in the case study regarding Menter Môn.

Chapter 3: Wider Benefits

The core benefits of any new energy projects are:

1. Projected emissions reduction from displacing fossil fuel generation (if the project is a low or zero carbon technology)
2. Direct economic benefits in terms of local resources and labour utilised during construction and operation

In 2019, Welsh Government declared a climate change emergency, building on a long-standing commitment to decarbonisation reflected in Welsh legislation and policy. At the same time, Welsh Government has declared a nature emergency and, through its Nature Recovery Planning, recognised the need for urgent action to increase the resilience of our ecosystems in order to reverse the decline in habitats and species. This highlights the value of wider benefits that deliver environmental enhancements and promote decarbonisation.

Wider benefits should be captured both from individual projects and as an outcome of growing the energy sector in Wales, including but not limited to:

- Rent paid to local landowners for hosting projects or for associated access or infrastructure agreements.
- Payment of local business rates to Local Authorities, which in turn contribute to provision of local services.
- Development of local supply chains and skills.
- New jobs in the development sector in Wales.
- Rent and rates paid for ancillary premises in Wales.
- Lower energy bills for Welsh customers achieved by building strategic projects that secure market cost-reductions through economies of scale.
- Lower energy bills through self-consumption and local energy trading clubs.
- Welsh statutory and private sector bodies procuring power from Welsh generators via direct Power Purchase Agreements (PPAs).
- Local individual customers and statutory and private sector bodies benefiting from lower power prices via local energy trading or novel PPAs and contracts for difference.
- Interest paid on community shares, which benefit the local economy to the extent that the equity is owned locally.
- Triggering or paying for major grid re-enforcement, which may also make grid connection affordable for other local generation projects.

Community benefit funds may maximise the capture of wider benefits by focusing spending on, for example:

- Environmental enhancements
- Local training and job creation
- Improving access to broadband or electric vehicle charging
- Additional local generation.

Local procurement for these sustainable activities also adds to the direct cash value of the fund via the local multiplier effect (LM3), which may be used to project added economic value.

The Well-Being of Future Generations (Wales) Act 2015 sets out 7 goals and 46 indicators. While the Act applies specific statutory duties only upon public bodies, this provides a framework against which project benefits may be attributed and which will be recognised by decision-makers subject to the Act.

Well-being of Future Generations: Essentials Guide

Well-being of Future Generations: National Indicators

Figure 2 below illustrates in summary how wider benefits may be captured through the project development process:

Figure 2 - Wider benefits

Identify all potential benefits from the outset

Identify skills gaps and opportunities for local edcation providers and businesses to fill them — new course/apprenticeships

Identify existing consultancy skills and procure them

Identify key stakeholders who may contribute to or benefit from the development in lead roles

Use identified local resources though development and construction phases

Opportunities to identify infrastructure co-benefits in the project design — for communications links and other trenched services, access and road improvements

Local supply chains develop transferable skills and experience

Resources may be brought in from the commerical sector if a shared ownership proposal is a good match

Community groups build experience and confidence in working with energy projects which may lead to more capacity being installed locally

Operating and earning

Direct income through land rent, profits as community funds, local business rates

Experience gained may create sustainable jobs and businesses renting local premises and paying rates in the community

Scaling up the cheapest sources of renewable energy is an important means to keep consumer bills low

Skills and experience gained may be used on further energy efficiency, renewable energy and local power supply networks, saving more money and displacing CO_2 emissions

Community share offers retain and disperse money in the local economy (where local people can and do buy the shares)

Assessments show that Wales is most likely to earn through operation and maintenance contracts

Emerging opportunities

As our energy system makes the transition to net zero distributed generation, new market opportunities emerge. These currently include opportunities such as grid balancing services and local energy supply markets. Commercial and regulatory frameworks in the UK are moving to enable more local supply models. This is reflected in:

1. The evolution of novel power purchase agreements alongside contracts for difference, virtual private wire or actual private wire projects, achieving higher sale prices for electricity.
2. The emergence of 'Distribution System Operators' as arrangements for local electricity distribution evolve.
3. Funding of innovation trials to support the transition from a centralised energy system to one which takes up distributed generation at all scales and manages the intermittency of renewable generation.
4. Ofgem's Innovation Link including the 'regulatory sandbox', an agreement that can be made with Ofgem to trial non-compliant market systems for assessment of their potential to scale up and meet the demands of the transition. The case study on Energy Local's pilot project 'Cyd Ynni' in Bethesda is an example of these innovations progressing in Wales.

These opportunities may be significant in delivering Welsh Government's energy objectives. They may also be well-suited to smaller and more local projects which need to benefit from a 'greater than wholesale' income for energy generated. Larger projects are more likely to be financially viable based upon either subsidy free export to grid or with some security provided via a Contracts for Difference mechanism (which might be delivered at UK level or by tailored and project specific agreements between local generators and consumers).

Chapter 4: Technology and Scale

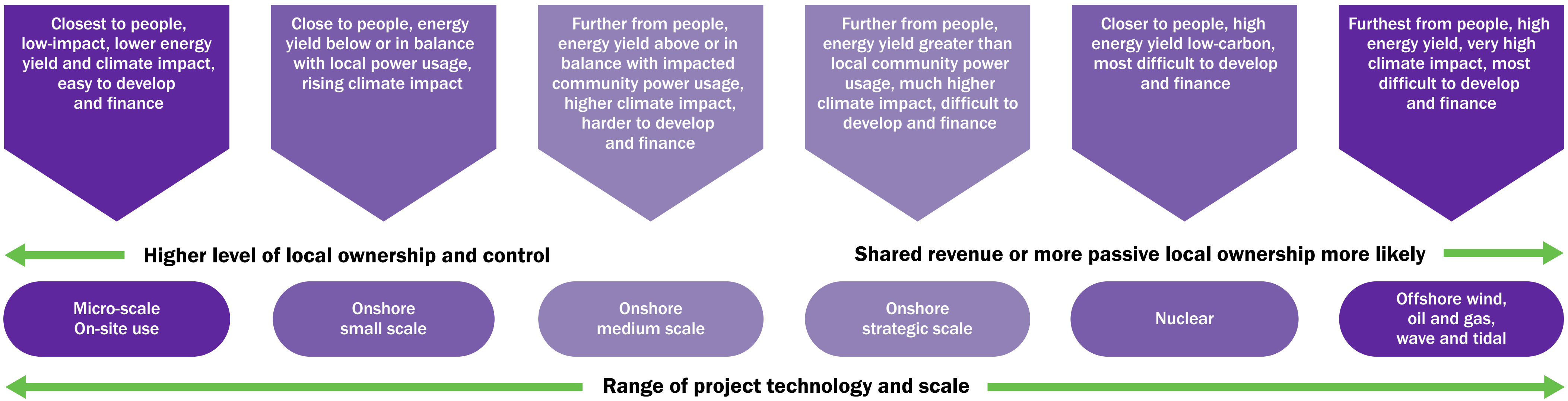
All energy projects are required to meet the policy objective. Whether a project is based on fossil fuels, nuclear or renewable resources, or relates to energy by providing storage or carbon capture, an element of local ownership is required to meet the policy goal.

Equally, projects at all power ratings, occupying however small or large a physical space, and at whatever capital cost will fall within the scope of the policy. However, differences between technologies and the scales at which projects are proposed will impact on the business model and the relationship between the project and local and wider stakeholders. These differences may be geographic or may vary in how they are experienced by local people, and may be further defined by regulatory, governance, technical or financing constraints.

These differences should be considered, including which key stakeholders have capability and capacity to undertake any shared ownership deal offered, and how the whole package of project benefits is balanced between local stakeholders and more strategic interests.

Figure 3 gives an indication of key project characteristics, and highlights some of the constraints that might be considered in developing shared ownership agreements.

Figure 3 – Relating local and shared ownership to technology and scale



- Planning consent likely to be decided by Local Planning Authority
- All have potential to be led or wholly owned within Wales
- Local developers may seek project partners from beyond Wales
- Full joint venture arrangements may be suitable
- May identify higher value routes to market via local trading or private wire arrangements, offering energy cost savings to Welsh consumers
- May offer deeper opportunities for local engagement and identification with projects and wider social and cultural benefits
- More likely to be owned by social enterprises applying 100% of profits to social objectives

- Planning likely to be decided via Welsh Government as a Development of National Significance or by UK Government as a Nationally Significant Infrastructure Project
- Technical and financial governance burdens are high – shared revenue may be more appropriate than joint venture
- Suitable local ownership stakeholders will be larger organisations with strong finance and governance
- May produce more strategic benefits for 'all of Wales'
- May bid for Contracts for Difference subsidy
- May yield the greatest economic benefits

Chapter 5: Engagement Process

Strong engagement includes open dialogue, identification of common ground and update/clarification of commercial agreements as projects develop. This should lead to better outcomes both for the people of Wales, and for developers.

Dialogue should develop a shared understanding of development opportunities and limitations with the aim of delivering better projects. This dialogue might be instigated in two fundamental directions:

1. Where a developer not meeting the definition for local ownership instigates a project, the engagement process must include an offer from the developer, inviting local stakeholders to enter into some form of local or shared ownership agreement.
2. Where a local organisation leading a development may invite an experienced developer not meeting the definition of local ownership to share development risks and deliver more ambitious projects than would be possible within the capabilities of the local developer.

The engagement process laid out here applies specifically to the first case above.

In neither case do they replace the statutory pre-application consultation which developers are familiar with undertaking and which consists of informing and giving members of the community the opportunity to ask questions about the design and impacts of the project on their local area.

The engagement process as a whole journey should be captured and evidenced in the CBR as laid out in Chapter 7.

Figure 4 lays out an engagement pathway, highlighting key roles and concerns of the lead developer, local stakeholders and emerging shared ownership partners. The yellow arrows indicate ongoing processes moving from wide stakeholder identification to more detailed negotiations with emerging project partners.

This project pathway exclusively notes the roles of developers and stakeholders in this process. It must be emphasised that all parties engaging in commercial agreements or seeking to raise finance to inject into a shared project, must seek suitably qualified independent legal and financial advice prior to making any legal or financial undertakings.

It should also be noted that some projects may wish to put in place a formal agreement (eg Co-operation) prior to producing a CBR.

Figure 4: Engagement process

Lead Developer	Project Pathway	Local Stakeholders
May need to conduct this process confidentially with the landowner(s) due to the commercial risk of losing the site to competitors.	**Landowner engagement**	Landowner may have a partnership interest, or local stakeholders known to the developer may be able to support the negotiation.
Stakeholder identification commences as soon as the site is identified. Core stakeholders involved in identifying wider consultees as soon as land is secured.	**Stakeholder identification and engagement**	Local stakeholders may be able to identify others with an interest and potential to contribute to or benefit from the project.
Managing risk by understanding the capacity limitations of local contractors who could be procured to work on the project, and of local stakeholders as potential Shared Ownership partners.	**Audit of local capacity and benefit opportunities**	Help identify local contractors to seek project contract. Assess potential for spin off benefits such as infrastructure improvement. Conduct honest self-appraisal of capacity of local bodies to add partnership / seek self ownership.
Develops confidence in the capacity of potential partners and may start to engage those partners in project development/consultation roles. Will need to manage expectations of financial detail.	**In principle offer of shared ownership**	Where local stakeholders cannot support shared ownership, other social developers based in Wales may act as proxy. Heads of Terms should be established early on. Equally, stakeholders may reject shared ownership and prefer a simpler local benefits package.
Collaborative Benefits Report will include formal commitments to a community benefit fund, Heads of Terms for shared ownership, and all other evidence of environmental, economic and social benefits.	**CBR produced and benefits outlined**	Local stakeholders and identified partners should be signatories of the Collaborative Benefits Report, whether or not they actively support the development.
Last cost refinements leading to Final Investment Decision (subject to passing financial due diligence). Final structure of any shared ownership integral to this stage.	**Final investment decision**	Local partners must secure their side of any investment stake for the developer to commit to Final Investment Decision on a Shared Ownership Model. Local equity to be injected as early as possible.
Developer role is focused on the technical operation of the site and lead management of the business for project lifetime.	**Construction and operation**	Local partners particpate in managing the buisness and lead on the continued engagement and delivery of ongoing benefits for project lifetime.

Transparency and Conflict

Mutual transparency is a critical principle governing all aspects of engagement. This includes disclosure of conflicts of interest, candid appraisal of capability and capacity, and timely sharing of identified risks to project progress. Differences of opinion must be supported within the engagement process. Parties should establish a shared and realistic expectation of transparent engagement and negotiation, including transparency where parties need and intend to protect commercial confidentiality, and the reasons for this.

Parties may oppose or support a development in principle, and these views may change during the engagement process. Such changes in opinion must be respected and expressed openly within the process. However, no party should seek to manipulate the engagement process itself to promote support or opposition. This will undermine trust and diminish the potential to deliver better projects. Some specific points to consider are:

- Developers may need to keep some development risks confidential while they are being dealt with. For example, risks may need to be resolved internally or with specific project partners during the planning process, where making them public would make the developer vulnerable to local parties seeking to undermine development. The policy does not ask developers to put projects at risk in seeking to deliver the local ownership objective.
- Stakeholders may also have information that falls into a similar category, for example as a negotiating lever to secure better benefit.
- Any party involved in the process may need at some point to enter into a third-party legal agreement such as a non-disclosure agreement which would prevent them from disclosing information covered by that agreement.
- Local stakeholders must accept that developers cannot offer categorical answers to all the questions that may come forward. Any energy project will encounter technical, regulatory and market changes during the development journey and must be adapted accordingly. Where stakeholders lack confidence, the Welsh Government Energy Service may offer advice based on a wide portfolio of project development experience.
- Both developers and stakeholders will need to recognise the inherent difficulties of making fixed and/or detailed commercial proposals for shared ownership in the earlier stages of development. While high level financial forecasting will secure investment for the early stages, many developers will not arrive at a ‘Final Investment Decision (FID)’ until significant work has been done on detailed project design and costings after planning consent. However, this should not prevent non-binding agreements such as Heads of Terms (HoTs) being iterated within a flexible framework throughout the engagement journey.
- The timing of investment is made more complex by a partnership arrangement, where senior and junior loans are subject to different constraints from a funder or investor perspective. Managing this will be a significant factor in any shared ownership agreement.
- Different bodies may have different governance procedures, with potential to delay project progression. This typically presents as a spectrum in which private enterprise can adapt more quickly, while public bodies are subject to more onerous governance and democratic processes, and social enterprises may sit somewhere between the two extremes. Especially where larger projects and joint venture or co-funding activities are in play, candid communication about project delivery timelines and procedural capability of partners will be a critical success factor. Developers must highlight critical dependencies in the project management process, where failure to meet a deadline on one element of development will lead to failure in another. Stakeholders must plan to support these dependencies or acknowledge in advance when this will be beyond their capacity.

Chapter 6: Local and Shared Ownership Options

Organisational and corporate structures

A range of corporate structures may be formed by both developers and local partners separately and, where joint ventures are formed, by developers and local partners together. The formation of such corporate bodies will progress iteratively as details of the shared ownership agreement develop, along with the proposed mechanisms for raising finance and the core governing articles of each lead organisation.

As projects progress, smaller organisations must balance administrative burden with suitable governance and responsible limitation of liabilities. Particularly in joint venture partnerships where local stakeholders will have an operational role in the business, legal agreements must be consistent with the roles, rights and responsibilities envisaged. For some projects a split ownership model may even be considered where a community group purchases part of a renewable development.

Several bodies noted in Chapter 9 are well-placed to provide further advice and support with this in the early stages. However, it is essential that all parties seek suitable specialist legal and tax advice in agreeing any legally binding contracts, taking on debt, or adopting assets.

Case studies can highlight key issues that developers and their partners will need to consider in selecting the best way to accommodate commercial and finance arrangements. Several case studies in the Energy Service toolkit illustrate shared ownership solutions that have been adopted to date.

Any shared ownership arrangement is likely to involve either:

1. Formation of one or more 'special purpose vehicles (SPVs)' – incorporated bodies controlled severally by each partner in the projects, with each SPV taking up a share of a 'Joint Venture Company (JVC)'
2. Shared ownership whereby a co-op or community group buys shares in the SPV. The co-op or community group as an entity in its own right could be a shareholder in the project SPV. Voting rights in the SPV should be in proportion to shareholding.
3. A legal agreement arranging for the junior partner to take a revenue share based upon an investment stake, but without a formal role on the board of directors of the SPV set up to run the energy project – sometimes referred to as 'virtual ownership'

Accompanying agreements

A variety of written agreements can be made to support the process of developing corporate structures. These might include:

- Heads of Terms (HoTs) also known as Heads of Agreement
- Statement or Memorandum of Understanding
- Co-operation Agreement
- Net Revenue Agreement
- Shareholder Agreement

Some of these agreements are not contractually binding but are useful in indicating strong intent and the key elements of agreement intended in working together. These have value in:

- Increasing mutual confidence and forming realistic expectations.
- Showing transparent progress and reassuring wider stakeholders.
- Meeting the requirements of funders providing grants or loans in the development stages
- Reducing the outstanding ground to be covered on the negotiation of formal and legally binding agreements as projects come to the point of construction and operation.

Regardless of the level of consensus agreed between parties, all parties must seek independent legal advice prior to making any written undertakings.

Negotiating risk and reward

Understanding the risks

From the outset, developments accrue risks. While projects are typically considered "de-risked" once operational, parties who have invested resource during development may not see investment repaid until the project has been yielding returns for some time.

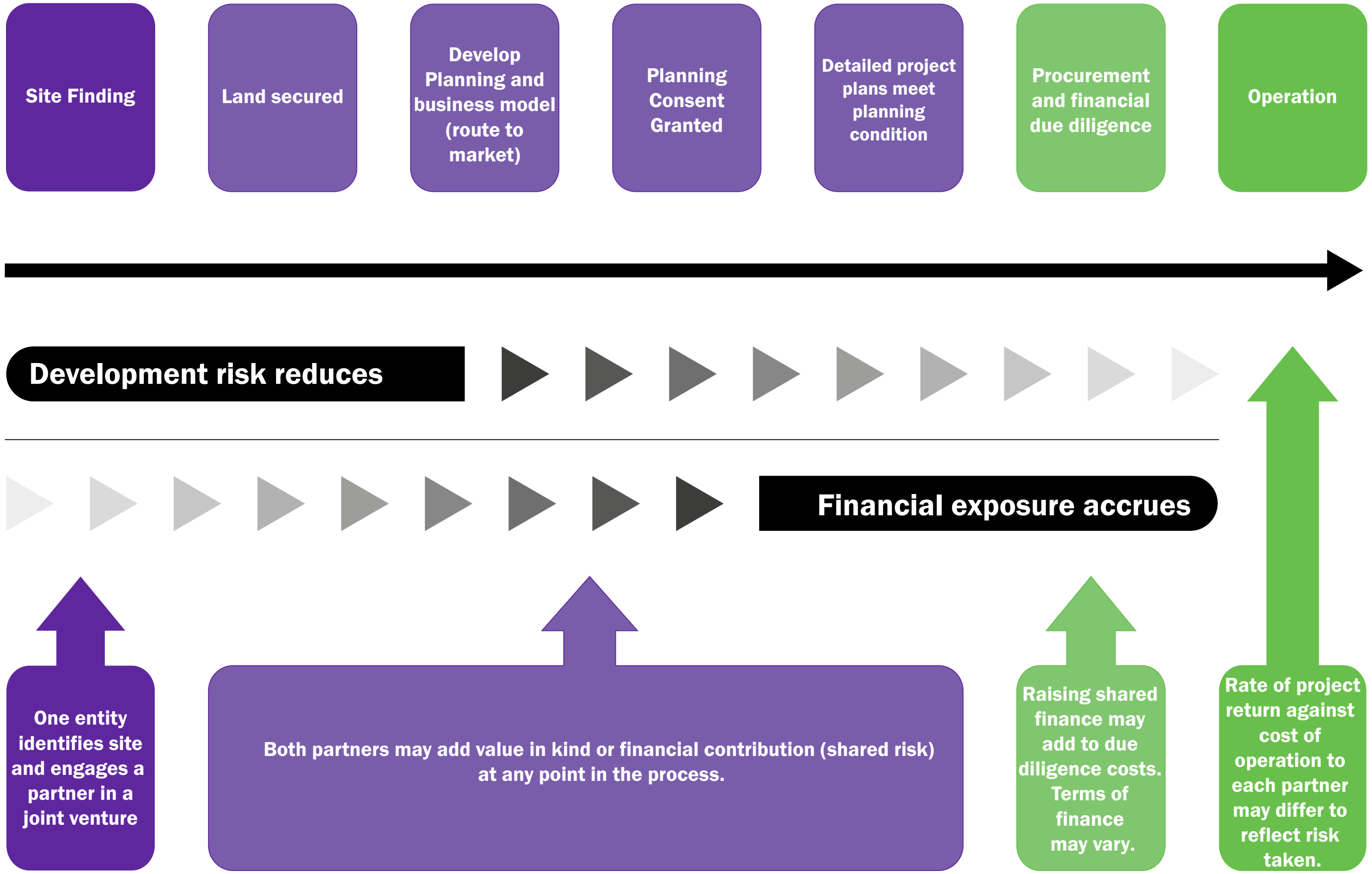
These risks are not solely financial and will differ between developers. A local developer, for example, can only identify sites for projects within a limited geographic area, while a commercial developer does not have the same geographic constraint. Local partners to commercial developers take proportionately greater reputational (and potentially commercial) risk within their area. Commercial developers may find that engaging with local partners increases risk by slowing down the development process or adding cost to stages such as financial due diligence; however, at the same time this may reduce reputational risk.

Equally, with multiple investors involved at the point of a FID, different terms (and cost) of investments may be secured by the various parties.

In some cases, a simple division of returns based on capital investment may offer a beneficial simplicity of approach. Alternatively, allocation of rewards may be agreed based upon the proportion of risk taken during the development phase.

The points made above are summarised in **Figure 5**:

Figure 5: Risk and reward



Costs and risk may be shared at any point – an earlier share in the risk earns a greater share in rewards.

Assessing the value of risk taken by each partner is a commercial negotiation to be agreed on a project by project basis. Relevant considerations might include:

- A commercial developer's success rate – is the developer's perception of their level of exposure based on a strong or a poor success rate?
- The value added by a local partner – is their influence considered relatively strong, or relatively weak in their local area? How is the local partner's standing in the community impacted by their participation?
- The financial value agreed by project partners for their own efforts – whether as community volunteers or as company employees – and charged "at cost" or at a commercial rate.
- The actual third-party costs incurred by each party.

The guiding principles here are:

- A developer with multiple projects will spread the risk across a portfolio of projects. This spread of risk should be reflected in the leverage of return against that risk, in line with typical ratios of project success against wider industry standards.
- As financial exposure grows and development risk reduces, there is also an effect of value increasing to the project as development rights, statutory permissions and route to market agreements (private sales or grid export and/or subsidy mechanisms) are secured.
- Shared development may spread risk but may add cost and effort which must be accounted for.
- Developers need confidence that shared ownership partners can and will follow through with investment at the capital stage. If the shared ownership arrangement fails, the costs of agreeing shared ownership are lost to all parties. This is not a desired outcome of the policy objective.
- Clear recording of effort and cost incurred should be undertaken by all parties from the earliest stages.

Finance processes and options

Commercial Process

Financial investment will be needed at different stages during project development, whether it is provided from a developer's internal resources or by seeking external finance. Most projects will proceed broadly along the lines of agreeing a package of finance against specific objectives, followed by review and, if the project remains viable, definition of the next package. The level of detail input to financial modelling will mirror this process. Potential stages are identified in **Figure 6**

Significant changes can occur between the site finding stage and the FID. This should not prevent some parameters for an element of local ownership being agreed and recorded within the Collaborative Benefits Report (CBR). Suitable flexible agreements such as 'Heads of Terms' or Memoranda of Understanding using percentages or 'envelope' figures should be put in place for inclusion in CBRs, acting as a basis for more detailed agreements as projects progress.

While developers may be reluctant to share their commercial benchmarks or investor expectations, stakeholders or public funders sharing risk will need to understand what cost projections are in place and will expect to share returns on a level playing field with investors. Stakeholders will need to comply with their own internal governance checks and balances, and beneficiaries of support from funders including the Welsh Government Energy Service, will be subject to due diligence undertaken by those funders. It therefore makes sense to share as much as possible of the data informing the financial model for any project amongst all shared ownership stakeholders.

Co-developing the core business model of the project will add visibility of the value added by early risk-taking or sharing and build understanding of the flexibility needed in any written agreements developed.

Shared ownership agreements made between partners can be developed and made more binding throughout the project development journey. Stakeholders will see the planning application or DCO application as a key lever in securing a shared ownership stake on the best terms, while developers will wish to manage the risks that lie between consent and construction. It is critical that parties acknowledge this tension in seeking mutual success. Commercial review points are illustrated in **Figure 7**:

Figure 6: Resource allocation review points in project development

Site Acquisition → **Planning application or DCO application** → **Detailed site design** → **Final Investment Decision** → **Construction and Commissioning** → **Operation**

Site Acquisition

- Desktop analysis
- Landowner engagement and Heads of Terms
- Pre-application planning advice
- Option to lease and associated easements etc.
- Early grid availability and cost of connection established
- For some projects grid connection secured (deposit paid)

Planning application or DCO application

Submission of planning application validation requirements, which includes:

- Design and access statement
- Pre-application consultation report
- Potentially an Environmental Impact Assessment (EIA)

Detailed site design

- Ground investigations
- Agree protocols to meet planning conditions
- Final site design
- Procurement to establishment firm project construction and commissioning costs
- Grid connection secured (deposit paid) – if not already secured

Final Investment Decision

- Internal financial model finalised and project delivery agreed/not agreed in principle and subject to finance secured during development stages
- Financial due diligence undertaken with selected lenders
- Finance offered and accepted (financial closure)

Construction and Commissioning

- Draw down of loan finance
- May include repayment of more expensive finance secured during development stages
- All construction costs exported
- Ideally within budget and preferably with some unspent contingency

Operation

- Finance arrangements will need to accomodate projected timeframe for income from sales of energy and/or subsidies
- Potential to reduce finance costs by re-financing after the construction risks are eliminated and the project is running smoothly

Figure 7: Commercial review points for shared ownership in project development

Site Acquisition → **Planning application or DCO application** → **Detailed site design** → **Final Investment Decision** → **Construction and Commissioning** → **Operation**

Site Acquisition

- Lead developer will acquire option to lease
- This may include rights to designate a new owner – which could be an SPV under shared ownership between strong partners with high confidence

Planning application or DCO application

- The latest point at which a developer will recognise potential value in demonstrating a strong package of wider benefits including an intent for shared ownership
- The best means of indicating intent will be a written agreement
- This agreement should not add risk to later project progress due to inflexibility

Detailed site design

- Can impact negatively or positively on project costs
- At this point all parties can value the ability tp adapt to the findings and cost uplifts or savings

Final Investment Decision

- All parties may be subject to different scrutiny – but should have been working based on the same cost, yield and income expectations from an early stage
- Data shared earlier will make provision of evidence for due diligence easier

Construction and Commissioning

- Different partners may have differerent ability to draw down
- Shared ownership with diverse sources of finance will increase project management and cashflow risk
- Tax and VAT implications will impact cashflow significantly and specialist advice will be needed

Operation

- Late injections of finance may reduce the complexity of the due diligence and construction processes
- The value of reducing complexity may be balanced against the low risk of bringing investment (such as community share equity) in at this later stage

Key finance options

Different options are available to developers, public bodies and third sector organisations in terms of raising the resources & finance needed at each stage. The Local Ownership Working Group broadly found options to be as follows:

Developers

- May have significant in-house skills at all stages of the project process, resourced by core operational budgets (funded by income from existing projects). These may be constrained by internal competition to ensure the best projects are supported.
- May have financial and governance strength to attract 'at risk' loan finance during the development stages, typically at a high cost reflecting that risk.
- Will be well prepared and experienced in meeting the due diligence tasks to negotiate capital finance.
- May be able to seek grants for innovation projects, especially in partnership with stakeholders from other sectors.

Public Bodies

- Will have some limited internal resources and capabilities
- Will typically be more constrained during the development stages in terms of allocating internal resources and injecting cash
- May have access to some grants and low-cost finance during the development phase
- May be an effective partner lending governance strength in funding and finance partnerships
- Will be constrained by state aid rules (but should fully evidence when and why state aid limitations are being imposed)
- Are required to administer public funds in line with their statutory duties and responsibilities, and subject to public accountability
- May have access to substantial capital to inject into large and very large-scale projects, for example via Public Works Loan Board or through investments made by public sector pension funds
- May be able to procure energy to be generated via a long term PPA agreement, which will have the effect of de-risking the projects for lenders and enabling external finance to be raised more cost-effectively
- May be able to influence the investment criteria of pension funds to lever meaningful levels of investment into very large-scale projects

Community and Third Sector

- May be able to access *limited* grant funding in early stages from a range of funders including the Energy Service.
- Have access to development loans from the Development Bank of Wales
- Have access to capital loan finance from the Development Bank of Wales, which is patient (can be lent over the duration of project lifetime if needed) – but not always at competitive rates
- Will be constrained by state aid limits on funding
- May be able to raise loan finance or community share finance (issuing non-transferable share offers through a Community Benefit Society).

Developers will need to assess the level of confidence in any early investments agreed with shared ownership counterparties. While counterparties may wish to secure earlier involvement in order to lever a greater share in the returns, this objective must not add unacceptable levels of risk to the venture's success given the need to deliver a low-carbon energy transition. Where commitments to bring critical finance into projects in the development stages cannot be satisfactorily secured, developers should retain an option to revert to a 'virtual ownership' option based on re-financing after a project has been commissioned.

Local stakeholders developing proposals must recognise the need to collate significant documentary evidence to support applications for finance. They are encouraged to access the Energy Service's toolkit in the first instance and to commence use of the Energy Service's financial modelling guidance and expertise as early as possible in project development. The Energy Service can also assist communities in populating an 'Investment Ready' tool as a repository for much of the evidence required by funders for financial due diligence.

Regulation, due diligence and professional advice

While case studies illustrate some of the models previously utilised for financing locally owned projects, none of this guidance replaces the need for professional independent financial, tax and legal advice. Whether a private individual or small business building a renewable project for self-supply, or a multi-national developer accessing a range of internal and external finance, an appropriate level of effort invested in proper due diligence is an indispensable element of delivering better projects. Local stakeholders must always be aware of the potential for operational project returns to vary both upwards and downwards from projections made during all development stages.

Chapter 7: Collaborative Benefits Report

The local ownership working group has put forward a Collaborative Benefits Report (CBR) as a practical tool to improve transparency throughout the development process and increase the participation of all stakeholders.

Most developments of any significant impact can expect to attract both support and opposition. The CBR provides a pathway of engagement, enabling developers and local stakeholders to understand each other's needs, and an aspect of accountability to underpin mutually beneficial agreements and ultimately better projects.

The outcome from following this pathway will be a report detailing the engagement journey and including a record of any offer, negotiation and acceptance or rejection of an element of shared ownership. While not mandatory, decision-makers may request developers to submit a CBR alongside the statutory planning application or DCO application documents. This would further support the wording within Planning Policy Wales in which application should demonstrate the full economic, environmental and social benefits of development. It also aligns with similar provisions in the Wales National Marine Plan and of Future Wales in the context of DNS applications.

Developers and stakeholders should document the engagement journey together, presenting the resulting wider benefits, community fund and shared ownership benefits of the proposal in a report that should be:

- Publicly available
- Owned and co-signed by at least two parties, one on the developer side and one on the local stakeholder side. If no stakeholder will agree to sign off the document, the developer will record the process by which that opportunity was invited and refused, and will be the sole signatory
- Available at the same time as, or before, any planning application or DCO application.

The CBR will not replace any of the existing statements of benefit included in other elements of the planning process such as the PAC report or the Environmental Statement (ES), whether decided at Local Planning Authority (LPA) level, or as a Development of National Significance (DNS) or a DCO. The content of the CBR will be specific to reporting the shared ownership journey and outcomes rather than duplicating what is already reported on wider community engagement as part of the existing statutory processes.

The CBR may also help as a supporting document by other decision making bodies such as Natural Resources Wales (for license applications), or by the Crown Estate in leasing rounds, or by bodies such as the Low Carbon Contracts Company (www.lowcarboncontracts.uk/who-we-are) in competition rounds for CfD.

Intent

By providing a framework for this report, confidence can be built in the following ways:

- **Developers** are given a straightforward good practice process which they can show they have followed regardless of outcomes
- **Stakeholders** are given a clear signal of what they can (and cannot) expect from an engagement and negotiation process, and have agency in the recording of that process
- **Decision-makers** can expect the process of the engagement journey and its outcomes to be presented in a consistent format. This will evidence the level of cooperation achieved and the value of additional secured benefits.

Outcomes

The outcomes Welsh Government seek are:

- More open communication in local areas, responding to development proposals.
- Ensuring decision-makers are shown the full weight of wider benefits secured by projects.
- Increasing the likelihood of an element of local ownership being agreed.
- Increasing the actual share of the economic benefits of development for local people based on a fair level of shared risk and investment.
- Delivering better energy projects for Wales.

Securing the best balance of outcomes

Shared consideration of the issues by all partners will lead to wider understanding of the commercial returns likely to be yielded by the project. Depending on the model adopted, direct financial returns will accrue to the following key beneficiaries:

- The principal project developer
- Local partners in shared ownership
- Landowners
- Finance providers
- Community share investors.

Where the shared ownership partnership does not include geographically local stakeholders, the balance of value added to geographically impacted communities should be considered, and a proportionate balance struck between provision of both a standard community benefit fund and a fair return through an element of local ownership. The 2013 Renewable UK 'Community Benefits Protocol' provides some starting points for developers considering what level of community benefit funding might be set aside and developers should build an allowance for this into the operating cost model of any project.

Community Benefit Funds should drive the maximisation of local multiplier benefits by focusing on building resilience in the local community and the engagement arising from use of this guidance is expected to contribute to securing this.

Content

The recommended set of chapter headings for the CBR are laid out in Figure 8. These largely reflect the content of this guidance, and most additional information required in defining the content will be found either elsewhere in this document, or within the Welsh Government Energy Service's toolkits.

The flowchart below notes core chapter headings in the blue boxes. The contents of the green boxes flag some relevant characteristics of the process to each chapter. However, the flowchart's linear process is a simplification and aspects of each chapter of the CBR will be developed iteratively.

The document must consist of fact, not opinion, and be supported by detailed record keeping across all parties, to enable a range of stakeholders to co-sign the document as a fair record of fact. Becoming a signatory to the CBR will not indicate support or objection to the development proposal in principle. All signatories must feel free to exercise their right to support or object to any planning or DCO application submitted.

Stakeholder disengagement

Developers may be concerned that if stakeholders refuse to engage, they may be blamed for any failure to secure the policy objective. The CBR structure is designed to mitigate this concern in the following ways:

1. The stakeholder identification and engagement chapters will record and evidence the efforts made by developers and the level of response from stakeholders. Any deficit of commitment on either side will be revealed.
2. The process includes stakeholders from a very local to a national level. This allows projects to benefit from participation from whichever stakeholders remain engaged, leaving stakeholders free to self-select or de-select without derailing the process.
3. Stakeholders should engage with the Welsh Government Energy Service throughout the engagement process to ensure that Local Authorities and community groups are suitably supported. The Welsh Government Energy Service will offer feedback to all parties with the objective of securing better outcomes. This will provide an element of independent oversight without making prescriptive requirements.
4. Stakeholders who disagree with the CBR will maintain the statutory opportunity to comment on planning or DCO applications.
5. Multiple signatories to the CBR will add weight to the processes recorded in the report.
6. Good record keeping by all parties will assist in maintaining a consensus on facts.

The CBR will benefit from signatories on both the developer and the stakeholder side, agreeing the factual accuracy of the content rather than satisfaction or dissatisfaction with the outcome. Where developers are unable to secure third party signatures, they should reflect on their experiences with the guidance process with a view to internal improvement and if relevant, feedback to Welsh Government.

A CBR Template will be made available on the Welsh Government website alongside this guidance upon publication.

Figure 8 – CBR chapters and process

Shared ownership executive summary/foreword

Ideally written and signed by developer and key stakeholder(s)

Initial stakeholder identification

Shared ownership an explicit option from the outset. WGES can support. New stakeholders can be identified as discussions evolve

Developer chooses which stakeholders to engage initially – collaboration from this point on

Engagement process

Timeline of stakeholder engagement activities and key moments

Audit of capability, capacity and governance risk

Records process and outcome of mutual appraisal of deliverability of shared ownership/partner selection

Shared ownership stakeholders may be contracted to set up and promote suitable investment vehicles

Record budget expenditure

Other costs such as legal costs in agreeing Memoranda of Understanding – who provided these budgets?

Local delivery of some development tasks and any additional social and ecological benefits

Wider benefits secured

Records benefits identified by the CBR/shared ownership engagement which would not otherwise have been secured

Formal SO offer and negotiation

Record offers, counter offers, negotiations, agreement (or lack of agreement), for an element of SO to be available

In principle MoU agreed and signed by developer and lead conterparties

Summary of total project benefits

Based on fiance projections available at the time of writing – shared ownership returns, wider benefits secured by shared returns

Focus on 'best balance' of outcomes - especially if stakeholders turn down shared ownership

Appendices

Meeting minutes, press coverage, photographs, correspondence, formal signed agreements such as Memoranda of Understanding

Chapter 8: Decision-Making Authorities

Developments seeking to meet the local ownership policy objective will be required to make their applications to a wide range of decision-making authorities within Wales an at UK level.

The engagement process underpinning the CBR will comprehensively draw together and evidence wide consensus on the social, environmental and economic benefits of the shared ownership aspect of projects in a single document. Whilst decision-makers do not take into account the identity of an applicant, evidence of the consensus between project developers will help them to weigh these benefits against the impacts of the proposed development. The CBR has potential utility to any of these decision-making bodies regardless of the jurisdiction.

CBRs within Wales

All decision-makers within the Welsh planning system should highlight this guidance to developers of any new energy proposal within statutory pre-application advice and, although submission of a CBR is not mandatory, may request one as a supporting document when submitting planning applications. This will constitute a good practice measure in meeting the policy intent.

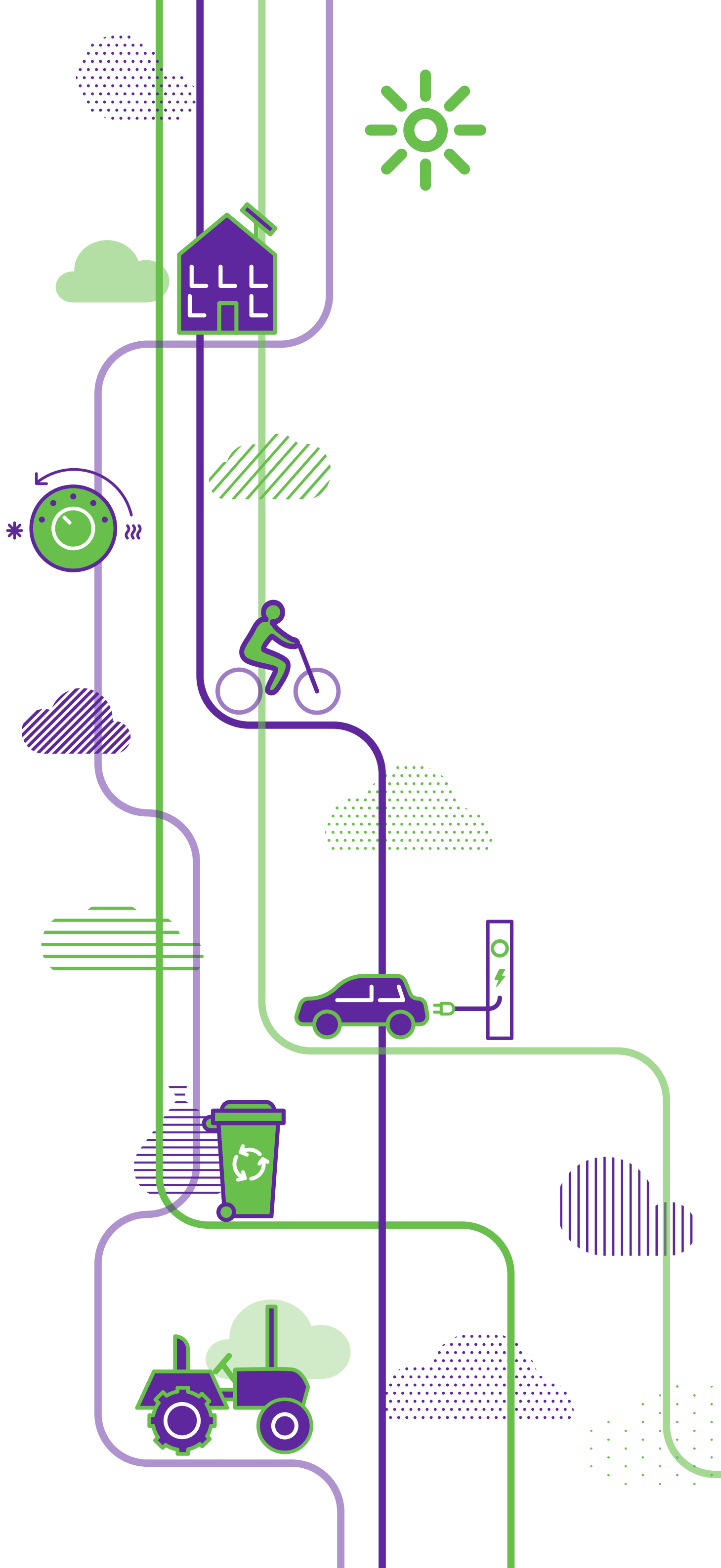
The CBR may also be welcomed as a supporting document by other decision-making bodies such as Natural Resources Wales (for licence applications).

Embedding the policy objectives locally

Local Planning Authorities (LPAs) should also consider the local ownership policies and this guidance in the production of Local Development Plans (LDPs), relevant policies and Supplementary Planning Guidance. Renewable Energy Assessments undertaken by LPAs to inform their LDPs should consider assessing the contribution being made towards national local ownership policy objectives in their area.

CBRs beyond Wales

While sitting beyond the jurisdiction of the Welsh Government policy objectives, it is hoped that the The Crown Estate (in leasing rounds), the Low Carbon Contracts Company (in Contracts for Difference competitions) and other influencing bodies such as OFGEM will recognise the additional value secured by developers offering a shared ownership model. This guidance along with project CBRs may prove a useful resource for such bodies in considering how to encourage better projects.



Chapter 9: Support, Monitoring & Improvement

Support

Welsh Government Energy Service

The links to external advice and support below include several links to documents within the Welsh Government Energy Service toolkits. The toolkits are under expansion specifically to meet the needs of the local ownership guidance and will be updated and modules added in response to developing needs.

The Welsh Government Energy Service provides a single point of contact for public sector organisations and others seeking to develop energy efficiency or renewable energy schemes. Building on experience and learning over recent years, the service offers technical, financial, and commercial support to public bodies and communities. The Wales Funding Programme and the Welsh Energy Loan Fund together provide loans, including low or interest-free loans, to support installations.

The Welsh Government Energy Service provides support via a network of local Development Managers, who provide:

- An initial point of contact and primary assessment of applicant proposals.
- A broad spectrum of advice across all issues relevant to developing net zero energy businesses.
- Specification of technical assessments which can be undertaken in-house.
- Signposting to other relevant support mechanisms and agencies.
- Support with accessing development grants available as part of the service.
- Support with accessing third party funding.
- Support with developing governance and providing evidence to meet due diligence requirements.
- Support with accessing loan funding for development and for capital works via the Development Bank of Wales.

Furthermore, in support of the local ownership policy objective, the Welsh Government Energy Service will provide:

- Initial support to developers in interpreting the guidance and initiating CBR processes.
- Tailored support for all local stakeholders engaging the service.
- Facilitation support with engagement processes.
- Support with use of the toolkit financial module (this will not in any respect replace the need for independent financial advice from a suitably qualified investment adviser).
- Honest feedback to developers on their stakeholder identification and engagement processes, and to stakeholders encouraging constructive responses.

The Energy Service's support for stakeholders will mitigate the capacity gaps identified by developers for whom additional risk, cost and delay are concerns, while stakeholders put more sustainable measures in place.

Signposting to wider support and third-party resources

Renewables UK
www.renewableuk.com/
Community Benefits Protocol

Local Ownership Policy Statement
gov.wales/local-ownership-energy-generation-wales-policy-statement

Development Bank of Wales
developmentbank.wales/

National Economics Foundation
Local Multiplier Effect (LM3)

Natural Resources Wales
naturalresources.wales/

Community Energy Toolkit
gov.wales/community-energy-toolkit

WCVA
Broad early stage advice for setup and governance of community organisations can often be obtained from the Wales Council for Voluntary Action (WCVA) and/or from local Community Voluntary Councils (CVCs) in each local authority area of Wales.
www.wcva.org.uk/
wcva.cymru/funding/social-investment-cymru/

Community Energy Wales
www.communityenergywales.org.uk/

Planning Policy Wales
gov.wales/building-planning

Find Your Local Council
www.gov.uk/find-local-council

Social Landlord Registry
gov.wales/registered-social-landlords

The Well-being of Future Generations Act
Well-being of Future Generations: Essentials Guide

National Indicators for Wales
https://gov.wales/wellbeing-wales-national-indicators

Ofgem Innovation Link
Offers support on energy regulation to businesses looking to launch new products, services or business models.
www.ofgem.gov.uk/about-us/how-we-engage/innovation-link

Find Your Distribution Network Operator
www.ofgem.gov.uk/key-term-explained/map-who-operates-electricity-distribution-network

Contracts for Difference
www.gov.uk/government/publications/contracts-for-difference/contract-for-difference

Pre-Application Consultation
www.planningaidwales.org.uk/pre-application-consultation/
gov.wales/planning-policy-and-guidance-pre-application-consultation

Community Organisation Support
gov.wales/energy-service-public-sector-and-community-groups
locality.org.uk/
wales.coop/
www.uk.coop/

Community Shares Wales
www.uk.coop/start-new-co-op/support/community-shares

Institute of Welsh Affairs
www.iwa.wales/

Monitoring

Welsh Government will record and review metric progress towards the local ownership targets over time. This is currently carried out through the annual publication of the Energy Generation in Wales report.

However, all developers, stakeholders and decision-makers should be able to clearly identify whether the engagement journey is being followed in keeping with the guidance. Chapter 7 amounts to a check list for good practice, and a collaboratively signed Community Benefit Report with content along the lines suggested will be significant market of a 'good' process.

Furthermore, the Welsh Government Energy Service will provide a suite of supporting advice and due diligence to local stakeholders engaging with developers, with a focus on encouraging success rather than marking failure.

Continuous Improvement

The policy objective is innovative, ambitious, and sits in the context of significant rapid transformation of the energy system as we transition to a net zero economy during an acknowledged climate crisis. The impact of the policy and guidance will be kept under review to ensure its effectiveness on four key indicators:

1. Are relevant bodies observing the policy and guidance?
2. Are the processes opening the opportunities intended?
3. Do participants find that better projects are being delivered?
4. Do the CBRs evidence greater benefits accruing to Wales from projects?

The Welsh Government Energy Service will review larger renewable energy schemes in the course of disseminating this guidance acting as a link between developers and local groups or Public Service and providing dedicated resource to support the identification of local ownership stakes in energy developments. Developer perspectives and evidence will be captured within the CBR. On that basis the Welsh Government Energy Service will receive continuous feedback on the indicators listed.

The Welsh Government Energy Service will be the first point of reference for identifying:

1. The level to which the guidance is being taken up
2. The degree to which good practice is being achieved
3. Any shortcomings, barriers or unintended consequences
4. The subjective level of satisfaction with the projects arising

Decision-makers are also requested to feed back their experience to the Welsh Government Energy Service.

Measurement of the actual benefits arising from projects will need to be evaluated independently, and Welsh Government will identify a methodology and resource for this based on feedback on the first three indicators listed.

Glossary & Acknowledgments

Glossary

Collaborative Benefits Report (CBR)

A Collaborative Environmental, Economic, and Social Benefits report detailing the engagement journey and including a record of an offer, negotiation and acceptance or rejection of an element of shared ownership.

Community Group

A "community group" may refer to a range of member-led organisation types and may not always be formally constituted. However, to be a partner in a shared ownership project, a community group will have to take on a formal structure. The "community" is understood to include a range of views and opinions held locally. The "community group" is used to refer to an organisation or entity which is actively engaged in discussions with a renewable energy business and exploring the opportunity for investment or is acting as a developer in its own right. In some cases the community group may also be defined as a social enterprise[1].

Community Benefits

Community Benefits are voluntary provisions made by a renewable energy business to the community(ies) located near a development.

Community Benefit Fund(s)

A grant fund available to the community, voluntary groups, non-profit groups or organisations in the vicinity of a development, paid by the developer/ operator from operating surpluses. These funds are not a statutory requirement of the planning process, but are common practice as voluntary arrangements undertaken by developers.

Contract for Difference (CfD)

CfD is a long-term contract between an electricity generator and Low Carbon Contracts Company (LCCC). The contract enables the generator to stabilise its revenues at a pre-agreed level (the Strike Price) for the duration of the contract. Under the CfD, payments can flow from LCCC to the generator, and vice versa.

Co-operation Agreement

A Cooperation Agreement is a formal business document outlining the basic terms of your agreement with another individual, group or entity.

County Voluntary Councils (CVCs)

Advice and information service for local voluntary and community organisations. Typically named by Local Authority area and all members of the Wales Council for Voluntary Action.

Developers

Developers may be privately owned commercial renewable energy businesses located entirely within or outside Wales, or with subsidiary offices within Wales. They may also be statutory authorities, housing associations or locally embedded social enterprises.

Development Managers (DMs)

Regional managers within the Welsh Government Energy Service that act as the main support contact for community groups and developers.

Development Consent Order (DCO)

A type of application for consent, which is determined by the Secretary of State, for a generating station with an expected installed generating of over 350MW (with the exception of onshore wind, all such applications above 10MW are determined as DNSs. See below), or for other nationally significant infrastructure projects on a UK-wide basis.

Development of National Significance (DNS)

A type of planning application, which is determined by the Welsh Ministers, for a generating station with an expected installed generating capacity of over 10MW and up to 350MW (with the exception of onshore wind) or for other non-energy infrastructure of national significance in Wales.

Environmental Statement

A publicly available document that sets out the developer's own assessment of the likely environmental effects of the proposed development. It is prepared by the developer consulting competent persons (i.e. EIA consultants) and submitted with the planning or DCO application, where it is considered likely to have a significant effect on the environment.

Final Investment Decision (FID)

The point at which the financial model and delivery costs for a project are sufficiently understood for a company to review and agree to invest or not invest in building out.

1 See definition for social enterprise.

Heads of Terms (HoTs)

A non-binding document outlining the main issues relevant to a commercial agreement. A HoT agreement will only be enforceable when/if it is engrossed into a formal (and signed) contract.

Joint Venture Company (JVC)

A model where the community and renewable energy business create an organisation to take forward a project together. The financial share and governance control of a JVC will typically be detailed further within a 'Shareholder Agreement'.

Local Ownership (LO)

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.

- 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.

Local Planning Authority (LPA)

The public authority whose duty it is to carry out specific planning functions for a particular area, namely the determination of planning applications or to provide a Local Impact Report in relation to DNS and DCO applications.. The LPA is the city, county or borough council, or the national park authority in national parks.

Local Stakeholders

Local stakeholders are all individuals and organisations based within Wales and who can reasonably be regarded as having an interest in new energy projects.

Low Carbon Contracts Company

The company responsible for managing Contracts for Difference competitions and contracts on behalf of UK Government www.lowcarboncontracts.uk/

Market Value

The price of a development calculated by the value which it could achieve on a given market. For example, once a project has achieved planning permission, its market value will normally be considerably higher than its cost value.

Memorandum of Understanding (MoU)

A document describing an agreement between two or more parties. The document is not legally binding but indicates an intended common line of action.

Nationally Significant Infrastructure Projects (NSIP)

A type of infrastructure project which is of such a scale that applications to develop them are made directly to the Secretary of State. This includes the construction or alteration of a generating station of above 350MW (with the exception of onshore wind) and overhead electric lines of a nominal voltage greater than 132KV.

Net Revenue Agreement/Revenue Share Agreement

A revenue share agreement is a document signed by all partners in a partnership which outlines the criteria to be followed when distributing business profits or losses.

Non-Disclosure Agreement

A contract by which one or more parties agree not to disclose confidential information that they have shared with each other as a necessary part of doing business together.

Post-Planning

Following approval of a planning application by the relevant planning authority.

Pre-Application Consultation

The requirement for developers to consult with local communities and statutory consultees in advance of applying for planning permission for 'major developments' and DNSs and Nationally Significant Infrastructure Projects (NSIP).

Pre-Application Services

Pre-application services enables the LPA to advise on the prospects of a prospective application in achieving planning permission, to outline validation requirements and to identify relevant site constraints.

Shared Ownership (SO)

'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'.

Shareholder Agreement

An agreement between the shareholders of an organisation. It can be between all or, in some cases, only some of the shareholders (for example the holders of a particular class of share). Its purpose is to protect the shareholders' investment in the organisation, to establish a fair relationship between the shareholders and govern how the organisation is run.

Social Enterprise

A business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profits for shareholders

Special Purpose Vehicle (SPV)

A legal entity created for a limited purpose. SPVs are used for several purposes including the acquisition and/or financing of a project.

Wales Council for Voluntary Action (WCVA)

An organisation supporting the voluntary sector in Wales.

Well-Being of Future Generations (Wales) Act 2015 (WFGA)

The Well-being of Future Generations (Wales) Act is about improving the social, economic, environmental and cultural well-being of Wales.

It will make the public bodies listed in the Act think more about the long-term, work better with people and communities and each other, look to prevent problems and take a more joined-up approach.

This will help us to create a Wales that we all want to live in, now and in the future.

Welsh Government Energy Service (WGES)

Welsh Government information, development and support service covering local and public energy efficiency and renewable energy finance streams.

Acknowledgments

Local Ownership Working Group

Welsh Government would like to thank the membership of the working group for generously giving their time to share knowledge and experience in the creation of this guidance:

Public

Welsh Government Energy Service

Welsh Local Government Association

Coal Authority

One Voice Wales

Citizens Advice

Developers & Trade Bodies

Community Energy Wales

Renewable UK Cymru

Innogy (now RWE)[2]

ECO2

Marine Energy Wales

British Hydro

RES

REG Power Management

Sefydliad Tanwydd Cymru

Landowners

National Farmers Union

Farmers Union of Wales

CLA

Natural Resources Wales

The Crown Estate

Network Rail

Dwr Cymru Welsh Water

Finance & Legal

Wales Council for Voluntary Action

Development Bank of Wales

Burges Salmon

Renewable Energy "Deep Dive" Working Group

Welsh Government would also like to thank the members of the Renewable Energy "Deep Dive" Working Group who provided input to this guidance.

2 Representatives who contributed from the former developer Innogy are now with RWE

Annex: Case Studies

A selection of case studies referred to in this guidance are documented below.

For further case studies and advise, please visit our Community Energy Toolkit on the Welsh Government website

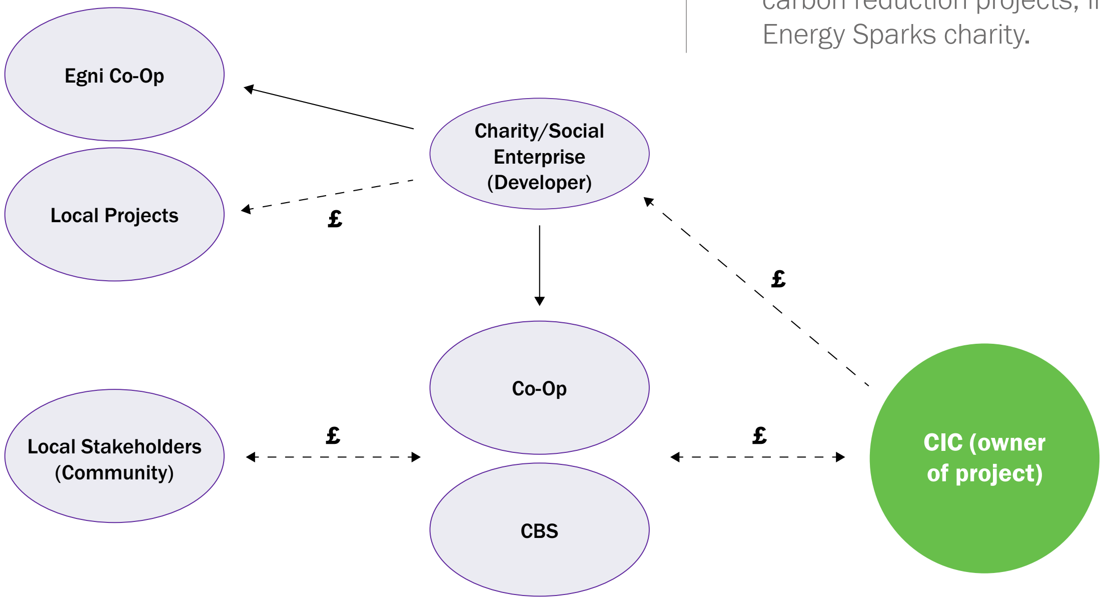
AWEL AMAN TAWE (AAT)

Awel Aman Tawe (AAT) is an example of a community energy charity that has secured a sustainable income from a community energy project. A group of volunteers took the idea of a community wind farm forward and secured funding from the Department for Trade and Industry, as it was then, to undertake a year of consultation. They established the AAT charity in 2000. Following a considerable amount of community consultation, AAT commissioned the Electoral Reform Services to undertake an independent referendum. The results of the community referendum demonstrated that a clear majority of people supported the idea of a community wind farm. The high level of local involvement was demonstrated by the large turnout at the referendum (48.5% of people voted). This helped tailor the project to a local context by identifying appropriate benefits.

Two wind turbines, with a combined capacity of 4.7MW, were erected in Mynydd y Gwrhyd, around 20 miles north of Swansea. The project was commissioned in January 2017. It is predicted that the project will produce a 20-year average of 12,404MWh/year. The project also secured FiT accreditation in 2015 and generates income from an annual Power Purchase Agreement (PPA).

A significant income has been generated by the project– annual turnover is now about £1.1m/year resulting in a surplus of about £150k/year for community projects. Three examples of projects supported so far have been:

- the purchase and refurbishment of the former village school into an arts, enterprise and education centre (Hwb y Gors).
- development phases of a rooftop solar project – Egni. Egni Co-op has installed 4.5MW of solar PV on over 90 community, school and business sites. Last year (2021), Egni saved about £107k in electricity costs for its sites and over 1,000 tonnes of CO_2 emissions.
- funding for an Education Officer who is working in schools with Egni installations to support further carbon reduction projects, in partnership with the Energy Sparks charity.



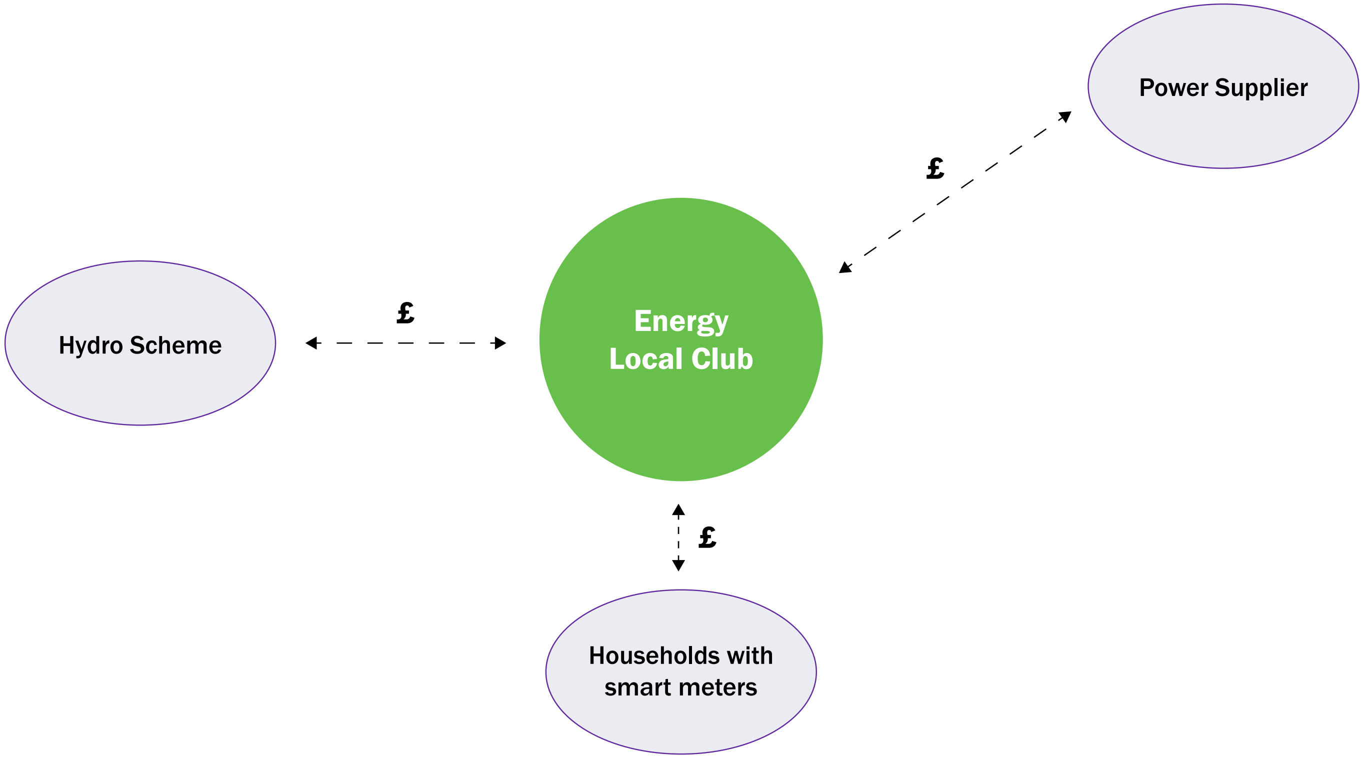
- **Awel Aman Tawe (AAT)** is a charity/social enterprise limited by guarantee. AAT was the project developer.
- **Awel Co-op** set up the community benefit society (CBS) to raise finance via shares. Owns Awel y Gwrhyd CIC.
- **Awel y Gwrhyd CIC** owner of the 4.7MW Mynydd y Gwrhyd wind farm.
- **Local stakeholders / community** include charities, sports clubs, art centres, businesses and community buildings. This also includes schools such as Tiddlywinks in Ystalyfera, a group who would have been prohibited from investing if previous funding had not already been secured.
- Surpluses of £150k/year have been used to fund **Local Projects** such as Egni & Hwb y Gors.
- **Egni Co-Op** installations and educational outcomes were initially supported from the surplus. This helped Egni become the UK's largest rooftop solar co-op, with 1400 members and 4.5MW installed to date

CLUB BETHESDA (FORMALLY CYD YNNI)-YNNI LLEOL

Energy Local Club Bethesda Ynni Lleol (formally known as Cyd Ynni-Ynni Lleol) is a not-for-profit Energy Local co-operative. The club is formed by both households and generators in a local area. The main generator is a hydro scheme owned by the National Trust. Over 140 participating households have been installed with smart metres. It is hoped to include Ynni Ogwen, a community-owned hydropower scheme, which will allow further households to join the club.

Members agree a “match tariff”. Households pay a reduced price, when they use power when the local hydro generator is generating. This reduced price also represents an enhanced price for the generator. An energy partner, in this case Octopus Energy, sells power to the households when demand exceeds local hydro supply and buys it from the generator when supply is greater than demand. They provide the billing, customer service and energy market regulatory compliance.

By matching electricity demand to generation, the scheme helps operate the electricity network and power market more efficiently, saving money. This benefits the local community via reduced energy prices and increased generator income. Generators participating in the Energy Local Club are often renewable generators part or wholly funded by the local community, with local households owning a share of the business. Energy Local Clubs can opt to pay a higher tariff to support their renewable generator or a lower price to help tackle fuel poverty. There are now 6 Energy Local clubs in Wales with more areas interested.



- **Participating Hydropower Scheme** is owned by the National Trust. Additional community owned hydropower schemes may be added. This would bring further benefits for the communities involved.
- The **Power Supplier** is Octopus Energy. The supplier buys and sells energy to the hydro scheme and households respectively.
- **Participating Households / community** receive financial benefit via reduced energy bills. Further community benefit may be realised via the investment return or surplus seen on community hydro schemes that may join the club.

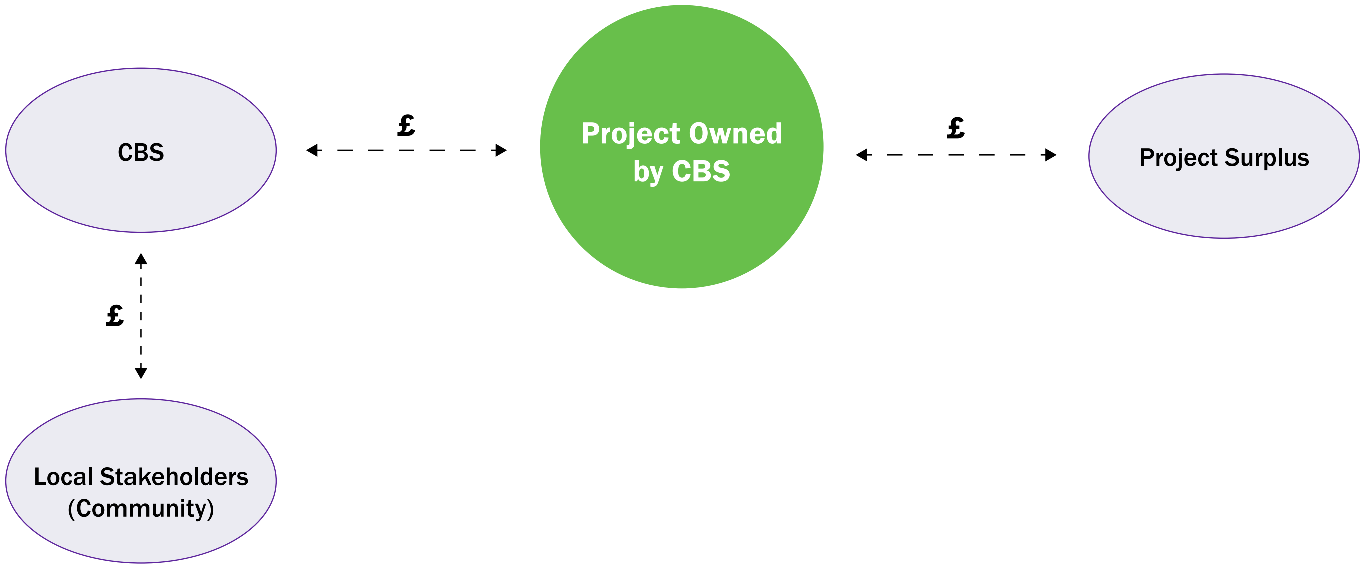
CWM ARIAN RENEWABLE ENERGY (CARE)

CARE is a co-operative/community benefit society (CBS) embedded within the local community of NE Pembrokeshire. The organisation, in its current form, was founded in 2011 to take forward the aspiration, garnered from community visioning in 2004, to establish renewable electricity production for the benefit of the area. After a challenging planning process, CARE was finally able achieve this aim in 2019, with Welsh Government support, through the construction of the Trefawr community wind turbine. The 700kw turbine generates around 1900 MWh annually, enough for approximately 450 homes. The turbine was made possible by a £1.3 million loan from the Welsh Government Local Energy Loan Fund, operated by the Development Bank of Wales (DBW). Currently, while repaying construction costs, net revenues from the turbine are very limited, but with robust and climbing energy prices this is changing and will allow income to accrue and be fed through to the local area via CARE's community projects.

This original project has created considerable rewards for the community through being the catalyst which brought people together to establish CARE. CARE's genesis and rapid progress has come about through a community group mobilising around a common dream of doing something substantial and truly beneficial for both the environment and local area. Enabling and supporting such a group to deliver a complicated project with a reasonably large price tag, such as the wind turbine - despite the odds, has empowered CARE to launch into greater things. CARE has gone from a group of solely volunteers to currently having 12 paid staff, delivering a range of projects including:

- a major local community biodiversity initiative;
- a social enterprise research project
- a local fruit and nut tree enterprise start-up
- an outreach project for farmers exploring heath and hedgerow management through the use of biochar
- an eco-build community studio with event program and the delivery across three counties of in-depth energy efficiency and fuel poverty support.

Following on from the wind turbine, CARE is currently working very closely again with Welsh Government and partners on an innovative renewable energy proposal to add a 522 kw solar array to the wind turbine, which would maximise the use of the grid connection to deliver power whether it is sunny or windy.



- **Local Stakeholders / Community** – intention to replace part or all of the DBW loan with a local share offer
- **Cwm Arian Renewable Energy Ltd** is a CBS that owns the project.
- **Project Surplus** will go towards match funding community projects to unlock the maximum amount of resources for the benefit of local people and the environment.

MENTER MÔN

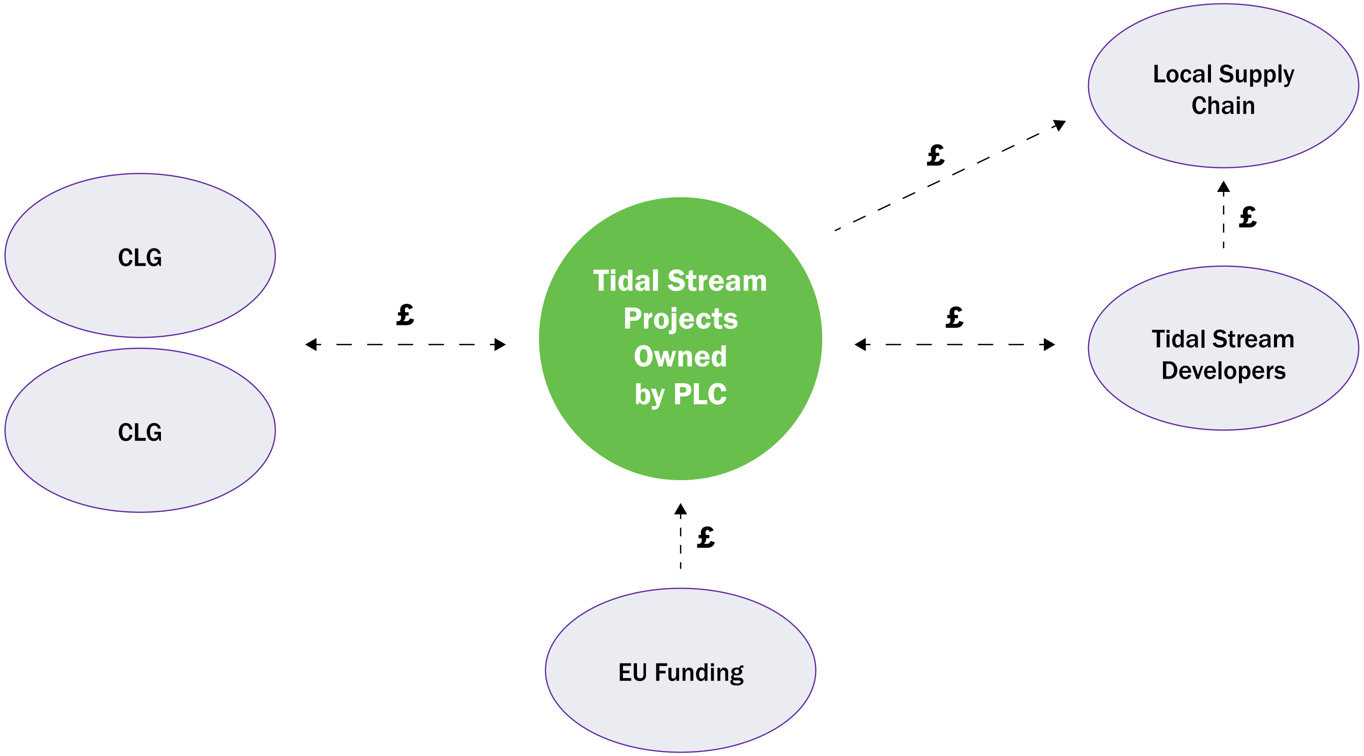
Menter Môn is a social enterprise that has always strived to add value to the region's resources, whether it is the language, the heritage or agricultural produce. In 2012, the enterprise recognised the huge potential of harnessing the strong currents off the coast of Holy Island and began to explore opportunities for developing tidal energy, establishing important relationships with key individuals, and building understanding of the sector.

Menter Môn's considerable experience of delivering projects in the region gave the necessary momentum to the tidal opportunity; the ambitious project would bring business and jobs to the island's rural communities, while providing the potential capacity to power over 180,000 homes with clean tidal energy.

Having gained a lease from the Crown Estate, work began on the Environmental Impact Assessment, consultation with statutory consultees and representative fishing organisations. Menter Mon also secured initial funding from the Nuclear Decommissioning Authority and Welsh Government.

The location for the substation was agreed in 2017, and an application was made to Welsh Government for a capacity of 240MW, followed by the submission of Environmental Impact Assessment scoping in 2018. Public information events followed in 2019, and later that year, a consent application was submitted to Welsh Government (Transport and Works Act Order), as well as a Marine Licence Application to Natural Resources Wales.

The Morlais zone received full planning consent in 2022, and developers from around the world have signed up to deploy their technology in the zone. The Morlais project is the largest community energy project in the world and is a project of global significance for the tidal energy industry. In 2022, the Morlais project received £31 million of Welsh Government / Wales European Funding Office (WEFO) support, which will enable the building of the infrastructure to be completed by the end of 2023.



- **Local Supply Chain**
  Accommodation/ Catering
  Coatings/ Paint
  Composites
  Construction
  Consultancy
  Environmental Consultancy
  Diving
  Electronics
  Civil Engineering
  Electrical engineering
  Mechanical engineering
  Fabrication
  Hydraulics
  Machining
  Marine operations
  Moorings
  Repairs
  Research
  Safety
  Components
- **Menter Môn Cyf** is a community owned company limited by guarantee (CLG). It forms one half of Menter Môn.
- **Annog Cyf** is the trading arm is also a company limited by guarantee (CLG). It is the remaining half of Menter Môn.
- **Menter Môn Morlais Ltd** is a private limited company (PLC) which is set up by Menter Môn Cyf to manage & own the Morlais project.
- **Tidal Stream Developers** financially committed to the project, including Nova Innovation Ltd & Orbital Marine Power Ltd.

TRANSITION BRO GWAUN

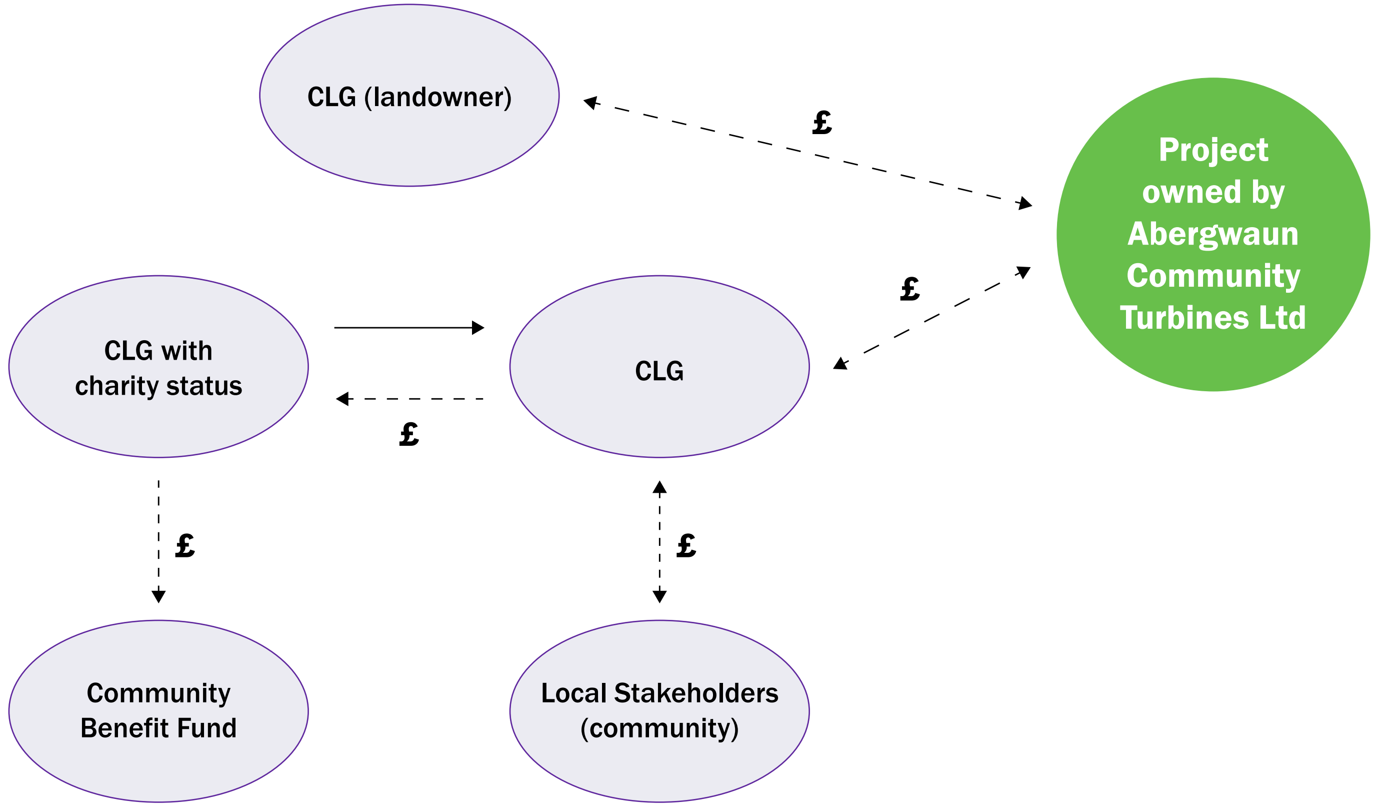
In the summer of 2011, Transition Bro Gwaun's renewables group, with support from Welsh Government, commenced development of a wind project. Parc-y-Morfa Farms Ltd, (PyM) offered a site on land adjacent to Fishguard, where the turbine now stands, and also to provide 50% of the establishment cost, in return for half the profits.

To progress the project, Transition Bro Gwaun (TBG) established two companies. The first was a subsidiary of TBG, Transition Community Ventures Ltd (TCV). TCV holds a 50% share in the second, Abergwaun Community Turbines Ltd (ACT), the joint venture company which owns and operates the turbine. Parc-y-Morfa Farms Ltd hold the remaining 50% of ACT. ACT has 4 directors, two from PyM, and two who are also directors of TCV and of TBG.

Following feasibility work, a planning application was submitted in August 2013 for a 250KW turbine with a mast height of 30m and blade diameter of 30m. Although initially refused, permission was granted on appeal in August 2014. The turbine was later commissioned in Aug 2015. Raising the £285,000 needed for TBG's 50% share of the project proved easier than expected, the whole amount being privately lent by 29 individuals and 3 local community groups within five months. Interest on all borrowings by TCV thus goes to local lenders who are being repaid as funds become available. Only after full repayment to lenders will funds be available to support Transition Bro Gwaun's ongoing work and sustainability projects. The latter decision was taken in 2019 after it became impossible to obtain insurance cover for breakdown and loss of income due to the claims record of this and other turbines of the same model. Both TCV and PyM have agreed to have £20k immediately available as a contingency fund for future repairs.

The unprecedented increase in export prices in 2021 enabled the first (pilot) round of TBG's Community Climate fund to be launched in October 2021. After assessment by an independent panel, grants totalling £12,000 were awarded in 2022 to seven organisations that cover a wide range of projects: solar panels for Fishguard Football Club, re-wilding an area of playing field at Ysgol Bro Gwaun, a poly-tunnel at Ysgol Glannau Gwaun, a series of growing courses run by Ffynnone Resilience, solar irrigation equipment at Nevern Valley Veg, a 'Pollinators' event at Brynberian Hall, and training for Bike Buddies at St Dogmaels.

It is anticipated that towards £40,000 will be available for the next round in 2023.



- **Landowner Parc y Morfa Farms Ltd** is a private limited company that owns 50% of ACT.
- **Abergwaun Community Turbines Ltd** is a company limited by shares that owns and operates the turbine.
- **Transition Community Ventures Ltd** is a company limited by guarantee (CLG) that owns 50% of ACT.
- **Transition Bro Gwaun Ltd (TBG)** is a company limited by guarantee (CLG) and a registered charity.
- **Local Community/stakeholders** include a local show committee, a local plough committee and a local chapel