



Llywodraeth Cymru
Welsh Government

From:

Energy Division

Cleared by:

Date:

02/02/2022

MINISTERIAL ADVICE

For decision by: Julie James MS, Minister for Climate Change

Copied to: Lee Waters MS, Deputy Minister for Climate Change

Subject	Grant funding for Community Energy Wales (CEW) and Ynni Teg.
100 word summary	Community Energy Wales (CEW) is a not for profit membership organisation that supports and represents community groups working on energy projects in Wales. This advice proposes an increased three year funding agreement for CEW and the community led developer Ynni Teg (YT), which will enable them to deliver a 3 year business plan consistent with the climate emergency.
Timing	Routine
Recommendation	The Minister is asked to agree to commit funding over three years to support the business plan for CEW and YT. The revenue funding proposal is for £752,462 over 3 years – 2022-23 to 2024-25.
Decision report	This decision does require a Decision Report, which may be published at any point.

ADVICE

Background

1. Community Energy Wales (CEW) is a not for profit membership organisation that supports and represents community groups working on energy projects in Wales. CEW's vision is to put people at the heart of the energy system, with a mission to support and accelerate the transition to a fair, low carbon and community-led energy system. CEW intend to create the conditions in Wales that allow community energy projects to flourish and communities to prosper, supporting the Welsh Government's vision for Wales to generate renewable energy to at least fully meet our energy needs, whilst retaining wealth and ownership in Wales.
2. CEW is important to delivering on our Programme for Government commitment to develop 100MW of community and publicly owned energy by 2026, whilst also supporting the community energy sector to continue to grow and thrive in Wales. CEW has also been involved in the Renewable Energy Deep Dive and will help us to meet the deep dive recommendations, for opportunities to scale up community and local energy in Wales.
3. YnNi Teg (YT) was set up by CEW to act as a developer for community energy projects, where communities didn't have the capacity to deliver projects themselves. The organisation is currently involved in the development of a pipeline of 41MW of community owned energy projects and aspires to develop more, though their resources are constrained. The current project pipeline would deliver nearly half of the Welsh Government's PfG commitment of 100MW by 2026.
4. Independent reviewers completed an evaluation of YnNi Teg's Foundational Economy work in March 2021. This was based on a robust consultation with stakeholders, including Welsh Government officials. The review reported YT to have demonstrated its value and recommended that providing further investment to develop the organisation's services would support the achievement of community energy goals. In return we would see a positive contribution to the environment, economy and well-being of Wales. The evaluation evidences that further investment in YT is in line with the outcomes of the Foundational Economy policy direction.

Funding to date

CEW and YT have sourced funding largely from Welsh Government schemes, including grant funding from Welsh Government Energy Service (WGES), the Foundational Economy Fund and Rural Development Fund (RDF). This mixture of funding presents challenges to CEW and YT in securing funding.

5. The organisation has received Welsh Government funding since we encouraged its establishment in 2015. This proposal is a single 3 year

business plan, which details proposals for Welsh Government funding. The plan and financial breakdown are at Docs 1 and 2.

6. Welsh Government provided CEW with £45,000 in each of the last 2 years. Core funding has reduced from earlier years as they have developed revenue producing activities. YT received an initial grant of £100,000 through the Foundational Economy fund to establish itself as a community owned developer.
7. With this limited funding CEW has delivered a range of activities including; representing the sector, producing the first Welsh State of the Sector report, developing the current pipeline of community energy schemes and raising over £1million through community share and bond offers. CEW has set up YT as a community focused developer, which has established partnerships with commercial developers, particularly on projects on the Welsh Government Woodland Estate, and are supporting other communities to consider shared ownership projects.

Current request for support

8. CEW's three year plan looks for a significant increase in funding, which reflects the climate emergency and the need for action. It also reflects the increasing ambition and maturity of the sector and the opportunities open to communities. CEW has submitted a four year business plan, looking for a total investment of £950,000 over four years, with decreasing public sector support as they continue to increase their income from investments.
9. This advice proposes a three year agreement in line with Welsh Government's budget settlement and represents good practice in supporting third sector organisations and opportunities to scale up community and local energy in Wales. The funding will enable CEW and YT to more than double their FTE capacity to seven, allowing CEW to focus on their five key deliverables, summarised below and enabling YT to focus on the delivery of community renewable energy projects.

CEW Deliverables

10. The funding will also enable CEW to produce an annual Welsh State of the Sector Report, which will act as a tool for managing progress against key performance indicators.

YT Deliverables

Deliver a pipeline of projects greater than 41 MW, using the following models;

- A 100% YT project, where there is no community group willing to develop the project.
- Developing projects on behalf of a community group or other body such as a local authority.
- Delivering and supporting shared ownership projects.

Programme for Government

11. CEW and YT are a key stakeholder and enabler for delivery, however, currently their lack of resource limits them from taking up the opportunities of renewable development and representing the sector more professionally across Wales.

12. By expanding the work they are delivering and by ensuring they have the resource to do so, they are able to support the delivery of our Programme for Government commitments. We will manage the grant fund, making sure their work complements, not duplicates the WGES, and ensuring there remains distinction between the organisations. Their proposal is aligned to our aims and will assist us to deliver on some of our key objectives and local ownership policy and targets by:

- Expanding renewable energy generation by public bodies and community groups in Wales by over 100MW by 2026.
- Helping to deliver the community focused elements of the Renewable Energy Deep Dive.
- Empowering communities to have a greater stake in local regeneration.
- Building on the approach to the Foundational Economy to deliver local economic benefit.
- Expanding renewable energy project scope into heat, transport and energy efficiency.
- Providing support and expertise to help develop proposals for a Renewable Energy Developer (RED) and proposals for improving access for renewables on the Welsh Government Estate.
- Provide valuable input and knowledge to energy policy, for example helping to finalise and publicise our guidance on shared ownership.

Recommendation

13. We recommend you agree to commit funding over three years to support the business plan for CEW and YT.

Financial implications

14. The proposal is for £752,462 of revenue funding over 3 years. The funding will be met from the allocated budget for Clean Energy BEL 3770. The cost over the next three years is set out in the table below:

Year	2022-2023	2023-2024	2024-2025
Funding requested	£261,150	£261,219	£230,093

A grant offer letter will be issued for 2022-23, with future years being agreed in conjunction with a business plan.

15. Officials consider the budget proposal represents good value for money. Both organisations are not for profit and have aims and principles aligned with the Welsh Government and our renewable energy vision. Commissioning commercial organisations to deliver a similar service would be considerably more expensive when comparing staff costs, and would fail to deliver the community capacity and resilience outcomes observed from community-led energy delivery. Increasing support to both organisations will indicate

continuing Welsh Government support for the community energy sector and action on the climate emergency.

16. The proposals also indicate how the organisations will increase income over the three years to ensure this is not an ongoing liability.
17. Given Cabinet's agreed fiscal approach as part of the 2022-23 Draft Budget, there are extremely low levels of reserves over the next three financial years. On this basis, any additional costs will need to be met from within existing MEG allocations. It also cannot be assumed that any additional funding will be forthcoming from the UK Government (again, this will depend on timing as circumstances may change at the next UK fiscal event in March), so we should formulate our plans accordingly.
18. This advice has been copied to Budget and Government Business Division for monitoring purposes.

Legal issues, powers & statutory duties

19. There are no legal implications from this advice so no legal advice has been sought.

Communication or media handling

20. We will draft a press notice for Ministerial clearance, to be issued to announce the funding, linking to our PfG and deep dive recommendations.

Annex 1: ASSURANCE AND COPY RECIPIENTS**CLEARANCE TRACKING**

Aspect	Tracking	Yes	No	N/A	Clearance no.
Finance	Financial implications over £50,000?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Cleared by Group Finance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Cleared by Budget & Government Business Division?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Cleared by Local Government Finance?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Legal	Legal issues?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Cleared by relevant lawyers?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Governance	Novel and contentious issues?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Cleared by Corporate Governance Centre of Excellence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

DEPUTY DIRECTOR, STATEMENT OF ASSURANCE

In clearing this MA, I confirm that I, xx, have quality assured this advice, ensuring it is provided on the basis of evidence, accurately presents the options and facts and I am accountable for the recommendations made

I am satisfied that the recommended decision or action, if agreed, would be lawful, affordable and comply with all relevant statutory obligations. Welsh Government policy priorities and cross portfolio implications have been fully considered in line with delivery of the government objectives.

I have fully considered the statement of assurance contained in the MA guidance to ensure all relevant considerations have been taken into account and that the actions and decisions take account of regularity, propriety and value for money.

COPY LIST

All mandatory copy recipients (as indicated in the guidance). Additional copy recipients specifically interested in this advice:

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