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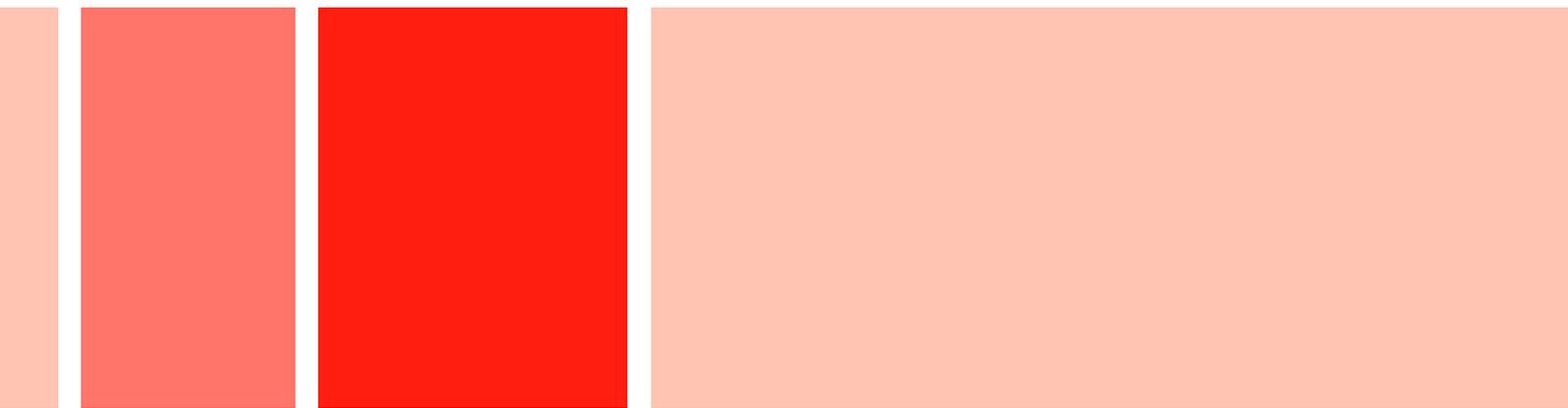
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Ynni'r Fro Mid-term Evaluation – Executive Summary



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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government.

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Executive Summary

Ynni'r Fro is a European funded Welsh Government programme to encourage the development of community renewable energy initiatives through the provision of advice, support and financial assistance. The programme is managed by the Energy Saving Trust.

The findings from this mid-term evaluation suggest Ynni'r Fro is having a significant impact in enabling community groups to progress through the initial stages of developing a renewable energy initiative. In particular, the wide-ranging advice and support delivered by its network of Technical Development Officers (TDOs) has often been crucial to this development. However, there are also significant external challenges that have limited their progress, including local opposition, the high costs of preparatory work and difficulties in gaining planning approval and consent. Aspects of the programme's design and delivery have also mitigated its impact to date. Ynni'r Fro is unlikely to achieve its ambitious targets for energy generation and job creation by the end of the programme in 2015, but progress is likely to continue towards these in the longer term.

Key recommendations for future support through Ynni'r Fro and any potential successor programme include continuing and protecting the TDO role, building relationships with external stakeholders, and considering the introduction of contingent loan funding for preparatory work.

Introduction

Ynni'r Fro is a Welsh Government programme to encourage the development of community renewable energy schemes in Wales. It uses European Regional Development Fund funding to provide three types of support to community groups looking to develop a renewable energy project:

- Advice, information and hands-on support delivered through a network of seven locally-based Technical Development Officers (TDOs)
- Preparatory stage grants of up to £30,000 to fund pre-installation activities
- Loans of up to £300,000 or grants of up to £250,000 towards capital costs of installation

Ynni'r Fro began in January 2010 and is due to conclude in March 2015. It was reported in April 2013 that nearly 200 community groups had applied to the programme for support.

The Welsh Government commissioned Brook Lyndhurst to conduct a mid-term evaluation of Ynni'r Fro to assess its performance to date and identify

recommendations for improvement going forward. The evaluation had four components:

- A desk review of the recent history and policy context to Ynni'r Fro
- An online survey of community groups that have applied to Ynni'r Fro for support, to explore their experiences of engaging with the programme and any support they may have subsequently received
- Follow-up interviews with selected community groups who responded to the survey, to gather more detailed insights about their experiences
- Interviews with stakeholders to discuss the design and delivery of the programme and the broader barriers to community renewable energy in Wales

The recent history and context to Ynni'r Fro

Ynni'r Fro is the first major programme of support targeted specifically at community renewable energy initiatives in Wales. UK-wide government programmes have generally offered time-limited support to small number of initiatives. Ynni'r Fro can be seen to have some positive features in comparison: it aims to provide national coverage through its regionally based TDOs who have a broad remit in terms of the type of advice and support they provide; it offers a combination of financial support for both the early preparatory stages and capital funding; and it has a longer time-scale, of five years, than most UK programmes.

The Welsh Government has expressed its support for community renewable energy as part of its broader sustainable development objectives. Changes were made to planning guidance in 2011 to state that community renewable energy projects should generally be supported, “provided environmental impacts are avoided or minimised, and nationally and internationally designated areas are not compromised” (Welsh Government, 2011). It has been reported that the recent formation of Natural Resources Wales will “have major advantages in terms of simplifying and streamlining the consent process” (Welsh Government, 2012). This will have particular benefits for development of hydropower projects. Community groups in Wales are also eligible to receive FiTs¹, although the Welsh Government has no direct control over its eligibility criteria or tariff levels.

Characteristics of groups that have come into contact with Ynni'r Fro

The types of community groups that have applied for support through Ynni'r Fro are diverse. Groups that responded to the online survey included

¹ Feed in Tariffs (FiTs) were introduced by the UK government in April 2010. FiTs are intended to incentivise and enable greater investment in small-scale (under 5MW) renewable generation, by providing a fixed rate of return for energy generated by individuals, groups or organisations.

'traditional' community organisations (such as charities), as well as newer social enterprise models. Groups represented in the survey also varied in terms of how established they were – around two-thirds said they had been running for more than five years but there were also groups that had been running for less than a year. Most groups described their aims as 'community regeneration' or had other community-orientated objectives, as opposed to producing renewable energy per se.

Groups also tended to have low levels of organisational capacity and relevant previous experience. Around a half of groups had no paid staff, and even amongst those who did, this was generally only a small number, i.e. 1 to 5. More than two-thirds said they had "a reasonable amount" or "a lot" of experience of running community projects but less than a quarter reported having this level of experience of developing a renewable energy project. Most groups were in the early stages of developing a renewable energy project when they applied to receive support through Ynni'r Fro. The majority had identified a site and undertaken some form of initial feasibility work but few had progressed far beyond this.

The needs of groups that have come into contact with Ynni'r Fro

The survey results and interviews with groups and stakeholders identified several challenges to developing a community renewable energy project, including:

- ***A shortage of capacity, skills and experience.*** This was partly a reflection of the characteristics of the groups themselves (described above), but also the difficult, complex and time-consuming nature of developing a community renewable energy project. Groups were often reliant on one or two key individuals working on a project, and there were instances where projects had stalled or ended if these individuals moved on.
- ***Local opposition.*** This was a specific challenge for groups developing wind projects. In some cases it was reported that vociferous local opposition had ultimately led to the abandonment of projects.
- ***Difficulties obtaining planning permission and consent.*** Amongst groups that had progressed this far, this was a significant challenge. Local Planning Authorities (LPAs) and Natural Resources Wales (NRW) were perceived to be resistant to community renewable energy and to give insufficient consideration to the potential benefits of projects to local communities. LPA and NRW officers were also felt to sometimes give conflicting guidance to groups about what they needed to do in order to gain approval. These difficulties had led to projects being significantly

delayed, escalating costs, severe restrictions being imposed on the scale of projects, and some projects being abandoned.

- **Funding for preparatory work.** The full costs of developing a community renewable energy project to the point where it is ready to begin construction were estimated to be between £50,000 and £120,000. Groups typically did not have the means to raise this themselves and were reliant on preparatory funding through Ynni'r Fro or other sources.
- **Capital funding.** At the time of this research, groups had not generally progressed as far as the construction phase of their project but several expressed concerns about their ability to access capital funding when they did. Share issues were not seen as a viable option in many areas of Wales because of a perceived lack of wealth in local communities and groups were often wary of entering into a joint venture to access finance from a private investor. Several barriers were also reported to groups accessing debt finance from lenders.

Nature of support delivered to groups through Ynni'r Fro

Groups that responded to the survey reported that they had received a wide range of support through Ynni'r Fro, particularly from the programme's TDOs. For example, over half said they had received support with carrying out feasibility studies, accessing preparatory funding, contacts with other organisations, general support and encouragement, help with legal issues and technical advice. The in-depth interviews with groups revealed that TDOs have also performed several different roles in the course of supporting groups, including acting as a guide, mentor, translator, intermediary and advocate. Two-thirds of the survey sample had received preparatory funding through Ynni'r Fro and reported that this had enabled them to meet the costs of feasibility studies, environmental surveys and other expenses important to the development of their project. At the time of the research, no group had yet received any capital funding through Ynni'r Fro, although three-quarters of survey respondents said that they intended to apply for this in the future.

Impacts of Ynni'r Fro

The evidence from the research suggests that Ynni'r Fro is having a substantial positive impact on the development of the projects it is supporting. In particular, the often intensive and wide-ranging support that TDOs have been providing appears to have been effective in helping groups address the challenges posed by limited capacity and shortage of skills and experience. In the online survey and in-depth interviews, community groups consistently rated the importance of this support to the development of their project highly. In addition, most of the groups that had received preparatory funding through

Ynni'r Fro indicated this had been crucial to the continued development of their project. Several explained in the interviews they would have “given up” or “could not have managed” without the combination of non-financial and financial support they had received through Ynni'r Fro.

Equally, there are some areas where the impact of Ynni'r Fro on the development of the projects it is supporting appears to have been more limited. Even with the support of their TDO, groups were still experiencing significant difficulties in overcoming the challenges posed by local opposition and obtaining planning permission and consent for their projects.

Impacts of Ynni'r Fro at a programme-level, against the targets set by WEFO, have been mixed. Targets for the number of enterprises assisted and created, and the adoption of equality strategies and environmental management are already partially or wholly achieved. However, there was a general expectation amongst stakeholders involved in the delivery of Ynni'r Fro that the targets for energy generation, greenhouse emissions and job creation will not be wholly met by the end of the programme in March 2015. These targets are contingent on projects having progressed as far as generating energy within this time-frame. The 22 exemplar projects that have been receiving the most intensive support through Ynni'r Fro are generally still in the planning application or consents phase of their development, with no guarantee they will all quickly and successfully progress through this phase. It is likely that the full impacts of Ynni'r Fro against its targets for energy generation, reductions in greenhouse emissions and job creation will only be realised some time after the life of the programme.

Factors mediating the impact of Ynni'r Fro

A series of factors can be seen to have mediated the impact of Ynni'r Fro:

- **External factors.** It was widely felt that the initial confusion surrounding FiTs and EU state-aid regulations that led to the suspension of financial support for the first 18 months of Ynni'r Fro had set back the progress of the programme. There also appear to be some on-going ambiguities surrounding what Ynni'r Fro preparatory grant funding can and can't be used for under the state-aid rules without disqualifying groups from receiving FiTs. There is a need for further dialogue between the programme and Ofgem (who administer the FiTs scheme) to clarify these issues. The other key external factors relate to the perceived attitudes of local planning authorities and NRW to community renewable energy projects already discussed above.

- **Who receives support through Ynni'r Fro.** There was consensus among stakeholders involved in the delivery of the programme that the initial focus on supporting larger-scale projects partly explained the lack of progress at a programme-wide level so far. The challenges associated with community renewable energy projects were felt to be particularly acute for larger-scale projects, meaning they were always going to be unlikely to complete their development within the lifetime of Ynni'r Fro. More generally, it was suggested that Ynni'r Fro may have supported projects that were 'sub-optimal' (both in terms of their scale and their chances of succeeding), and that the programme had possibly missed out on other projects with greater potential, such as smaller ones or those that made use of a broader range of renewable energy technologies.
- **What support is provided through Ynni'r Fro.** All respondents felt the Ynni'r Fro TDO support 'worked' and that TDOs were effectively supporting groups with numerous aspects of their projects' development. The only perceived limits to this support was the extent which TDOs could, on their own, enable groups to address the challenges posed by significant local opposition and difficulties in the planning/consent process. To a very large extent respondents felt this was a reflection of the intractability of these challenges rather than any deficiencies on the part of the TDO support. The Ynni'r Fro preparatory funding was also seen as an essential component of the programme but many groups that had already received grants indicated they'd still need further, additional preparatory funding from Ynni'r Fro to continue to progress their project. There were mixed views on the Ynni'r Fro capital funding provision. Some felt it may be unnecessary or even redundant, based on the expectation that groups would be able to access the capital they needed relatively easily. Others were considerably more pessimistic about the prospects of groups being able to do this. They felt the Ynni'r Fro funding would greatly improve these prospects by providing groups with the match-funding that lenders would require as a condition of making a loan.
- **Programme administration.** The Energy Saving Trust is responsible for administering the Ynni'r Fro programme. Community groups and stakeholders felt that aspects of the administration of Ynni'r Fro could be improved. Communication was as a key issue – both in terms of how different parties involved in the delivery of the programme communicate with one-another and communication between the programme and community groups. It was reported that this had, on occasion, undermined the ability of TDOs to perform their role effectively and contributed to uncertainty amongst community groups.
- **Interaction between Ynni'r Fro and external bodies.** Although some steps had been taken to engage with representatives of other key bodies

such as Ofgem, NRW and LPAs during the programme, it was felt that not enough had been done to formalise these relationships and establish an on-going dialogue. Respondents felt this had partly contributed to the on-going ambiguities surrounding what preparatory funding can be used for without disqualifying groups from FiTs, and the difficulties reported in the planning and consent process.

Suggested Improvements

Numerous suggestions were made by community groups and stakeholders about how projects in Wales may be better supported in the future, both during Ynni'r Fro and potentially beyond it. This included changes in the following areas:

- **Who receives support.** There was fairly universal agreement that smaller projects and those employing technologies other than wind or hydro should receive support through Ynni'r Fro or a successor programme in the future. In addition, some stakeholders suggested more fundamental changes to the allocation of support. It was suggested that this should be based on identifying sites with the most potential and then matching community groups to these sites. This would ensure the targeting of support at projects most likely to succeed but also potentially exclude some communities from accessing support. Another suggestion was that landowners, farmers or SMEs that may be interested in developing projects where ownership is shared with a community group should be more actively encouraged to apply for support. This was on the basis that they would be better equipped to develop successfully than purely community owned projects, although the scale of the benefits to the community would be reduced. Both of these suggestions highlight potential trade-offs between the targeting of support at projects most likely to succeed, and issues of community benefit and equity.
- **What support is provided.** The overriding feedback from community groups and stakeholders was that the Ynni'r Fro TDO support should be maintained largely as it is for the remainder of the programme and, if at all possible, beyond it. There were also calls for the provision of additional resources to complement the existing TDO support. These included a central library of forms, contracts and templates, training for groups on project management, a dedicated source of financial and legal advice, and mechanisms to facilitate peer-to-peer learning. In terms of preparatory funding, some suggested that current Ynni'r Fro limit of £30,000 should simply be increased or that the balance between Ynni'r Fro funding for preparatory and capital support should be revised in favour of the former. Another suggestion was to provide groups with access to loan finance to meet their preparatory costs. There is a precedent for this in Scotland where

the CARES programme already offers a “pre-planning loan” of up to £150,000, which is written off if a project fails to progress beyond the planning stage.

- **Programme administration.** It was suggested that there was a need for better communication and more dissemination of information between different parties involved in the delivery of Ynni'r Fro. More regular, and frequent meetings between TDOs, EST and the Welsh Government to discuss strategic programme issues were suggested. It was also suggested that community groups should be provided with more clarity around what does and doesn't qualify for Ynni'r Fro support, and transparency in how decisions on these kinds of issue are made.
- **Interaction with external bodies.** Stakeholders felt that greater dialogue was needed between those delivering Ynni'r Fro and external bodies such as Ofgem, NRW and LPAs, in order to start to address the external barriers to the programme. It was suggested by a number of stakeholders that the original intention to form an Ynni'r Fro steering group containing representatives of Ofgem, NRW and LPAs (and other external bodies such as district network operators), should be resurrected and put in place.
- **Wider measures.** While respondents were positive about the potential value of the above changes, it was felt by many that they would not be enough on their own to overcome the significant external challenges currently facing Ynni'r Fro and the groups it is supporting. Wider measures by the Welsh Government were thought to be necessary, such as the setting targets for community renewable energy generation, as in Scotland, and stronger guidance to local planning authorities and NRW in support of community renewable energy projects.

Recommendations

The following recommendations are based on the evaluation team's interpretation of the preceding findings. They do not necessarily represent the views of all the groups and stakeholders who participated in the evaluation or the views of the Welsh Government. The recommendations are structured around the original objectives of the evaluation to:

Consider the appropriateness of the programme aims, indicators and targets

- Set future targets that reflect the current challenges and timescales in sector, and which allow smaller-scale projects to be supported.
- Develop additional indicators to measure intermediate impacts.
- Adopt more flexible indicators to reflect the broader social and economic impacts of CRE projects.

Consider the barriers and constraints the programme has faced

- Use data collected through Ynni'r Fro, and other sources, to better demonstrate the benefits of community renewable energy to other public bodies.
- At a project-level – support on-going dialogue between TDOs and officers in NRW and LPAs.
- At a programme-level – establish a multi-agency steering group attended by representatives of NRW, LPAs, and potentially other stakeholders such as Ofgem and district network operators.
- At a Welsh Government level – consider formal measures to promote community renewable energy in Wales, e.g. the setting of targets and revisions to the current planning guidance.

Identify what recommendations can be made to improve the current programme

- Review the existing method of allocating support through Ynni'r Fro and consult with stakeholders on the approach to be adopted in any successor programme.
- Continue and ring-fence the TDO support currently delivered through Ynni'r Fro.
- Create a central library of resources for community groups.
- In the short-term – continue to provide preparatory grant funding.
- In the longer-term – give consideration to introducing a contingent, revolving loan fund alongside preparatory grant funding, or supporting a loan fund for CRE in Wales introduced by another body.
- Start discussions with groups about capital finance at the earliest opportunity, and give serious consideration to the provision of additional advice and support in this area.

Consider progress towards an exit strategy and inform developments for a successor programme to Ynni'r Fro

- Continue the provision of TDO and financial support to community groups beyond the current Ynni'r Fro programme.
- Develop a transition strategy for Ynni'r Fro that gives groups certainty about future sources of support.
- Put mechanisms in place to capture learning from Ynni'r Fro, for example through learning diaries and case-studies, to inform a successor programme.