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**DEMOCRATISING THE VALUE OF WIND :
STEPS TO CREATE LASTING COMMUNITY VALUE**

AND TRANSFORM THE CURRENT ENERGY DEBATE

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DEMOCRATISING THE VALUE OF WIND :STEPS TO CREATE LASTING COMMUNITY VALUE

The UK has long been on the threshold of community wind

Delabole The first commercial wind farm in the UK 1991 locally owned.
Repowered by Good energy : electricity discounts were made available to locals.
Good energy's recent 7% bond issue closed early.

Baywind The first community wind farm in the UK at Harlock Hill 1997 financed by BES it led to the creation of energy4all and a number of coops.

Westmill solar energy coop 2012 followed the 2004 westmill wind farm coop.

Community for renewables CIC has raised funds from Esmee Fairburn + SEIS issue to provide development finance for community schemes and to partner commercial developers genuinely seeking a % local ownership:

We need to step up the pace as without a vibrant community sector we may not get to fully exploit our onshore resource.



DEMOCRATISING THE VALUE OF WIND :STEPS TO CREATE LASTING COMMUNITY VALUE

In Germany, Denmark, the Netherlands community wind has consistently been one of the leading ownership models

And not just for de-rated 500k turbines
but 2 to 15 MW projects and even Offshore

In parts of north Germany 46% even 90% of onshore
wind is community owned: utilities are minor players

Why is this ?

Feed in tariffs combined with tax efficient investment and local bank finance

Developers quick to tap into retail investors (and later retail infrastructure funds).

A less consolidated electricity industry with greater municipal participation



Middelgrunden Denmark (4% of Copenhagen's power)
40MW community offshore wind project
50% funded by co-op share offer, 50% by municipal utility



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In the UK under the RO the model shifted to a utility dominated develop and sell model

The economic connection with local communities narrowed....

As energy prices rose so did project returns leading to moral hazard (and M and A)

Now we have Mr Pickles 6 month recovery of planning appeals
and Mr Cameron's green roll back.

There is an issue

Communities and the public at large need tangible benefits for hosting onshore wind ,
Letting people invest in renewable infrastructure
and communities obtain meaningful rewards (and use the electricity) is part of that.

The building blocks are there

Utilities no longer want or are able to be the dominant source of capital

The public and institutions are willing to invest over £1billion in aggregated renewables
at 6 to 7 per cent returns witness Greencoat, RIG, Foresight : with Infinis to come.



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Why does community involvement matter for UK developers ?

Increased availability of land, more planning support and reduced moral hazard

Sharing of the development risk and effort with community partners (eg cfr)
increasingly able to access their own sources of funding (eg Defra loans, EIS monies)

Increased chance of project extension and hybridisation eg solar and wind.

Opportunity to participate in Esco , private wires models and future
energy demand smart grid and renewable heat businesses

Most importantly project economics

Funds/utilities typically bought projects at an IRR of 9 to 12% (and higher) ; often sold
to aggregators at 8 to 9% and then on to retail investors at 6% to 7% .

Community projects offer the ability to access retail investors direct ?

And in return for managing construction risk access tax based funding streams for RO
and Fit (if community) : as a jv or exit?



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Developer business models: alternatives to aggregate and sell

Light touch: Generous community fund: compared to current Renewables UK guidelines.



Provision of power discount within defined catchment, use of private wires

Replacement of bank debt with public bonds or crowd sourced equivalent

Part ownership of project with class B or preference shares

Community ownership of spliced project using qualifying EIS preferred shares

Sale of whole project to community EIS at defined margin

Co development of project with community vehicle sharing profits

Service and asset management provider to community funded schemes

Community orientated development and Escos helping the local fuel poor

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There are some issues :Lets hope the community consultation brings tangible encouragement

The Cfd Fit will bring investor friendly return structures
But PPAs will be an issue and a 10MW community fit would help
If partnership is to occur and projects to be shared ,
then it would be helpful if ofgem developed community friendly rules
re metering and connection

The red tape surrounding sale of electricity to local customers
and businesses needs simplifying with barriers to entry removed

In the UK there is no dutch Zeleverings model or remote net metering
whereby utilities transport and balance power from generators to consumers



If this occurred even offshore could provide
investment opportunities for onshore
Communities -and high energy users



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In the next 7 years (before Nuclear is built)

Community wind and direct public investment
in renewable infrastructure could

radically increase deployment,
allow local power sales
bring forward grid parity

.....transforming the current energy debate.

And offer an alternative route to aggregators for developers seeking to recycle capital
– and benefit from a more sustainable business model



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There are practical regulatory and structuring issues to consider

To hear more about



And how it partners developers wishing for real community involvement .
And helps communities direct, taking planning risk and facilitating share issues.

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The Big society and renewables Climatechangematters and Regen Southwest

Let the people invest Climatechangematters and Transform UK

High energy users and renewables Climatechangematters (with the REA)

See also:

The community renewables economy res republica



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