

Carl Sargeant AC / AM
Y Gweinidog Cyfoeth Naturiol
Minister for Natural Resources



Llywodraeth Cymru
Welsh Government

Alun Fred Jones,
Chair of the Environment and Sustainability Committee,
National Assembly for Wales,
Cardiff Bay,
Cardiff,
CF99 1NA.

16 December 2015

Dear Alun Ffred

Funding for Community Energy Schemes in Wales

Thank you for your letter of 23 November 2015 on behalf of the Environment and Sustainability Committee. I am delighted to have the opportunity to set out how the Welsh Government has supported community energy projects over the last five years.

The Welsh Government established the Ynni'r Fro community renewable energy support scheme in 2010, using Welsh Government and European funding. It was a programme designed to encourage the development of community renewable energy in Wales, particularly to establish community social enterprises that would generate a sustainable income from renewable energy installations.

The programme built on elements of the first community support programme run by the Scottish Government, but brought together the three important elements of grant funding for scheme development, advice and support from experienced local delivery officers, and access to capital construction funds. In our mid programme evaluation of Ynni'r Fro a leading community energy practitioner working with the independent evaluator considered that this combination of support throughout the lifetime of community projects was “head and shoulders” above the support then provided in other UK administrations. We are told that Ynni'r Fro was studied during the development of the CARES fund in Scotland, which is also delivered by the Energy Saving Trust, the contractor delivering Ynni'r Fro. We understand that in Wales we provide a higher level of grant support than in Scotland or England for the earliest, risky stages of project development.

The service supported over 200 communities to scope out projects in its five years of delivery. I understand that you heard from some of the communities who have received support during your evidence sessions, and I am pleased that we were able to provide Ynni Padarn Peris with £70,783 of preparatory funding, £69,079 of capital funding and 84 hours of Development Officer support; and Abergwyngregyn Generation Company with £35,018 of preparatory funding and 40 hours of Development Officer support.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

English Enquiry Line 0300 0603300
Llinell Ymholiadau Cymraeg 0300 0604400
Correspondence.Carl.Sargeant@wales.gsi.gov.uk

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Since the Ynni'r Fro scheme ended with the ERDF programme in March 2015, I have demonstrated my commitment to community energy by continuing to provide support from Welsh Government revenue and capital funds. This has preserved the local development officer service that communities considered so important in the programme's independent evaluation. It has also enabled us to respond in innovative ways to the opportunities arising in the fast moving field of local energy. For example, Carmarthenshire Energy Limited (CELT) were offered the option to purchase a renewable energy project from a developer at the start of the construction stage. CELT needed fast access to capital to make initial payments, and we were able rapidly to provide a bridging loan to enable them to close the deal, and then launch a share offer and secure a loan from a commercial lender to raise the construction costs. These sources will repay the loan, enabling us to recycle the funds for the benefit of other communities, whilst the CELT project will ultimately provide significant community benefits to the area.

As part of the legacy of Ynni'r Fro, we commissioned the Energy Saving Trust and Ricardo-AEA to develop a toolkit to provide guidance to communities and businesses on all aspects of developing a renewable energy project. This toolkit has been developed in conjunction with Scotland, but provided bilingually and tailored to the Welsh planning and permitting systems. Any improvements or developments to the toolkit content made in Wales, Scotland or England (where the toolkit has been adapted for inclusion in the DECC Community Energy Hub) will be passed to the other nations so all can benefit.

The Welsh Government will be launching the **Welsh Government Local Energy** service in January 2016, which will support community groups, SMEs and social enterprises to develop local energy projects. We have designed the service collaboratively with a group of community and local energy stakeholders, principally from Wales but also including respected members of the community energy sector across the UK. The design work recognised that we need communities, local authorities and developers all to work together in the interests of the people of Wales if we are to realise the full benefits from local energy. As a result of this co-design, the scheme will provide tailored support related to the capacity of the applicant, which will ensure that communities who need it most will receive the maximum support from the scheme.

This new service will offer the tried and tested combination of locally rooted advice and access to finance, with the addition of an improved range of technical capacity in areas of expertise such as planning, legal and financial matters that are key to developing successful projects in a timely manner. The service will also have a partnership facility to allow community groups to make links with other groups, developers and landowners, bringing together the necessary local partners for successful delivery, as well as online support providing templates and other technical information as the toolkit evolves. As part of this, work is under way to determine a range of funding models that can enable community energy to continue following the reduction or removal of UK support tariffs.

My officials work collaboratively with Scottish Government colleagues on community renewable energy. I wrote jointly with the Scottish Energy Minister, Fergus Ewing, to the Secretary of State at the Department of Energy and Climate Change in relation to the impact of proposed changes to the Feed in Tariffs as these will disproportionately affect community energy schemes. Welsh Government officials have travelled to Scotland on a number of occasions over the last two years, and were planning to host Scottish colleagues in Wales this summer before those announcements by the UK Government. Scottish Government officials invited my team along with DECC officials to take part in the roundtable discussions on community energy that they organised last month. Officials have also met with Local Energy Scotland to discuss the CARES service that they administer on behalf of Scottish Government.

Welsh Government is also providing funding to Community Energy Wales to establish itself as a membership organisation to provide assistance and a voice to community groups developing energy projects.

With regard to promoting examples and opportunities for Wales within the European movement, it has been found that the definition of “smart” differs for each individual city and town and the level of focus on energy similarly will differ as part of the overall package the city and town requires to service its needs.

Lessons learned from other countries with successful levels of European exposure and funding, including Scotland, have indicated there is a need to prioritise areas where funding is needed and to build up long-term relationships with other countries to become the partner of choice when bids for funding for these areas are being considered. This applies at community, town and city levels.

My officials are facilitating the development of these building blocks by working across Welsh Government to encourage and help cities and towns to make connections, including through the knowledge transfer network, universities, and businesses, so they can build up the relationships and routes they need for success at local, UK and European levels. This approach adds value to the ongoing work being undertaken for City Deal, City regions and now a focus on urban living which also encompasses the mid level towns that aspire to be “smart”.

I do hope that this information is useful to your inquiry, and look forward to providing more information about the broader support for local energy that I am leading across my portfolio.

Yours sincerely



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