

Mike Hedges AM,  
Chair, Climate Change, Environment and Rural Affairs  
Committee

11 October 2017

### The Welsh Government funding of Carmarthenshire Energy Limited

Dear Mike,

The Auditor General for Wales published a [report](#) regarding the Welsh Government funding of Carmarthenshire Energy Limited in July 2017. The report highlighted a number of governance concerns about the Welsh Government funding of the financial support for the project and makes five recommendations to address these.

Although the Public Accounts Committee believes that the governance concerns have been addressed through the recommendations in the report, we did feel that the report, and the example of Carmarthenshire Energy Limited more generally, may be of interest to the Climate Change, Environment and Rural Affairs Committee particularly around the level of regulation around community benefit funds.

Yours sincerely,



Nick Ramsay AM  
Chair



Caroline Hill

16 October 2017

**Auditor General's report: The Welsh Government's funding of Carmarthenshire Energy Limited**

Dear Ms Hill,

Thank you for your letter of 7 August 2017 on behalf of Selina Carpenter, Andy Clifford and Karla Smith. I apologise for the delay in replying but the Public Accounts Committee first opportunity to consider the Auditor General's report together with your letter was on 25 September.

During the Committee's consideration of the issues included in the report, Members noted that some governance concerns had been identified regarding the Welsh Government's handling of its financial support for the CEL T2 project but believes that these concerns have been addressed through the report's recommendations. Members were in agreement that the report, and the example of Carmarthenshire Energy Limited more generally, may be of interest to the Assembly's Climate Change, Environment and Rural Affairs Committee particularly around the level of regulation around community benefit funds. Members requested that I write, enclosing a copy of your letter, to the Chair of the Assembly's Climate Change, Environment and Rural Affairs Committee. Should that Committee decide to consider any of the issues contained in the report, they may contact you as part of that work.



I would like to thank you for raising these issues with me.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is written in a cursive style with a long, sweeping underline.

**Nick Ramsay AM**  
**Chair**



Nick Ramsay AM  
**Chair, Public Accounts Committee**  
National Assembly for Wales  
Cardiff Bay  
Cardiff CF99 1NA

7 August 2017

Dear Mr Ramsay

### **More issues to be addressed**

The Press has reported that you have said that the Public Accounts Committee will want to consider the Auditor General's report "The Welsh Government's funding of Carmarthenshire Energy Limited" carefully – and the use of public money to fund initiatives that claim to "directly benefit local communities."

When the Audit Report is considered by the Public Accounts Committee, there are more issues to be addressed about the "direct benefit to communities" than the governance issues - which were central to the remit of the Audit Report (and its recommendations) in its investigation of the CELT 2 wind turbine at Salem.

#### **1. Loan period**

The Audit Report mentions that the loan of Government money was initially for a 12-month period – "but has since been re-negotiated" [See Footnote 6, page 16]. This rather detracts from the assurance that the CELT 2 project is meeting its re-payment commitments. Perhaps the need for the re-negotiation – for an unspecified longer loan term – reflects the inflated estimated value of the project (£2.6m compared to £1.3m) made by the man who had dual roles (at the Energy Saving Trust and on the Carmarthenshire Energy board), Ben Ferguson-Walker.

#### **2. "Preparatory grants"**

- a) The Audit Report states that over £34,000 of public money has been given by the Welsh Government as a "preparatory grant" for Allt Cafan which is a scheme on land at Pentrecwrt owned by Mr Steve Hack – who is named in the Audit Report and is a

founding member of Carmarthenshire Energy Limited and also a director of the Seren companies which developed and operate the Salem wind turbine. This is the same man who “sold” the Salem scheme to Carmarthenshire Energy Limited on the strength of Government money. The Allt Cafan scheme is yet to go ahead.

- b) The Report also mentions that £14,000 of public money was given as a “preparatory grant” for the CELT 1 scheme at Llanarthne, but this never went ahead as it failed to gain planning consent at Appeal.

### **3. Diversion of funds from a “community” scheme to a non-community scheme**

The planning application for CELT 1 painted it as a “community” scheme. However, Carmarthenshire Energy could not pledge that the turbine would directly benefit the host (and directly impacted) community at Llanarthne because its own society rules stated that funds raised from their Carmarthenshire schemes must provide benefits countywide. The planning application was refused at appeal.

In contrast, the CELT 2 planning application contained no documentation referring to it as a “community” scheme, nor as a project driven by any local residents. Yet this was the scheme which absorbed the Government funding that had been intended for a “community” scheme.

### **4. Community Benefit Funds – failure to involve the community**

In common with many wind turbine schemes, the CELT 2 profits are supposed to create dividends for its shareholders (NB Shares were not given or confined to the local community, but were sold nationwide).

A Community Benefit Fund was also promised – although Planning Authorities are supposed to ignore this as a non-material planning issue. However – again, as we are finding with other wind schemes – the Fund has not been put in the hands of the local community or its democratically elected representatives. Instead, because of the way Carmarthenshire Energy Limited operates, it holds a “monopoly” over the administration of the fund and itself chooses who to help decide how it is spent.

The Audit Report mentions its use for “dry-stone walling”. The local community believes that this walling is part of the turbine scheme itself, re-establishing the boundary of the turbine site, and has therefore NOT provided benefit to the community, but only to the scheme’s financially involved landowner. In effect, it seems to have covered the costs of one of the planning requirements for the construction of the turbine.

### **5. Abuse of the term “community”**

There is growing evidence that schemes – like CELT 1 – which are NOT community-led, community-driven or community supported are being labelled “community” by companies because they see this as a way of easing the path through planning – and

gaining fiscal advantages eg. grants, loans and a later Feed-in-Tariff cut-off date. This could be interpreted as fraud.

Moreover, they seem NOT to be returning the promised “benefits” to the communities into which they have been forced – and there is no mechanism to monitor or to enforce these “promises”.

## **6. Lack of regulation or oversight of community benefit funds**

It is the Welsh Government which has encouraged developers to offer “community benefit funds” and communities have – understandably - believed that this means that they will receive significant sums of money. In many cases, this has reduced the volume of objections to planning applications for turbines.

However, there is no requirement for planning authorities to make fiscal evaluations of the robustness of such offers – indeed, they do not have the resource, capacity or expertise to do so - and there is no regulation over such “community benefit” or share schemes.

So we are not surprised to see that any funds are, at best, slow in coming forward, and at worst not materialising at all, as the Government has failed to make such offers enforceable.

No-one is taking on the responsibility of warning the public that no community fund, or indeed share dividend, may ever appear.

We hope that the Committee will take a close look at the “community benefit” issues listed in this letter, with the knowledge that the concerns that we have raised have been substantiated by the Auditor General’s findings. It is not simply a question of asking how – and when – the Audit recommendations are actioned. There are wider implications from the Audit Report, and not just for the community in Salem.

Yours sincerely

Caroline Hill

On behalf of Selina Carpenter, Andy Clifford and Karla Smith