A Fair Energy Deal for Scotland:
Setting a target of 1,000 MW of Community Energy by 2030

Background

In March 2024 in our Fair Energy Deal for Scotland document we called for more of the vast financial gains being generated from our natural resources of wind, water and sun to be captured and retained in Scotland and shared equitably and fairly across all our communities.

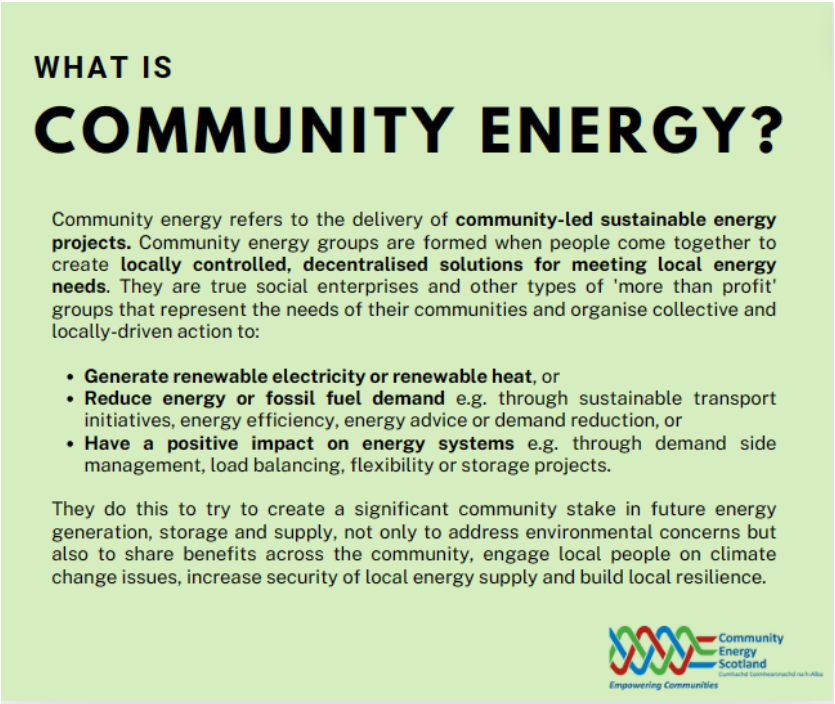
In pursuit of that aim we called for:

- **A roadmap of support to accelerate growth in the community energy sector**
- **A tenfold increase in 100% community-owned renewables in Scotland to 1,000MW (i.e. 1GW) by 2030**
- **A short life working group to be created to address opportunities and challenges arising from repowering**
- A credible system to enable communities to take up shared ownership of privately-owned renewable assets
- Mandatory reporting on community benefits for all privately-owned renewable schemes
- An urgent update of the Scottish Government's Good Practice Principles for Community Benefits
- Creation of a new Scottish Community Wealth Fund

This is one of a series of more detailed papers setting out the practical steps by which these goals can be achieved and calling on government, communities and industry work together to deliver the full potential of community energy in Scotland. This paper sets out the key policy changes needed to deliver 1,000 MW of community-owned energy by 2030.

Why we need more community energy

100% community energy is when all the assets, production and income from an energy project are owned by the community in question. The community energy model offers by far the greatest financial benefits to local economies from the transition to green energy and, by extension, to the national economy as well. As described below, community energy delivers at least 20 times more financial benefit to local communities than conventional, corporate-owned wind farms. On top of that, community energy also delivers invaluable



social benefits by boosting community skills, entrepreneurship and self-confidence, especially in areas suffering from historic low growth and low incomes.

It is important to note that community energy wind farms achieve this without requiring any more subsidy to build or operate than is received by corporate wind farms through schemes like ROCs, CfDs etc. Community owned wind farms are profit-making, just like normal corporate wind farms, borrowing capital at commercial rates to build their wind farms and earning income from selling electricity on the open market.

The essential difference between community and corporate energy businesses lies not in the basic business model or in the level of profit they make but in their ownership. Community energy ownership is vested in organisations (usually community trusts with charitable status) which are inclusive, representative and democratically controlled by a specified community. In corporate energy projects, on the other hand, ownership is vested in institutional or individual shareholders with rarely any connection to the locality which hosts the wind farm.

This difference in the two business models allows community energy wind farms to reinvest all the profit generated back into the community.

The financial difference this makes is stark. The largest onshore corporate wind farm in the UK is in Whitelee, south of Glasgow, which totals 539 MW in size and has paid an average £900,000 a year in community benefit over first ten years of operation.[1] By comparison, the largest wholly community-owned wind farm is the Point and Sandwick wind farm outside Stornoway which is 9 MW, or just 2% the size of Whitelee. Yet this wind farm has also paid £900,000 a year in community benefit over its first eight years of operation – the same as the much larger scheme in Whitelee. And whereas the cumulative community benefit from Whitelee over its 25 year lifetime is estimated by its owners to be £25 Million, that from the vastly smaller Point and Sandwick wind farm is estimated to be £30 Million - higher because profit increases after capex loans are paid off about midway through the life of a wind farm, all of which can be reinvested in the community when it is community-owned.

Further evidence of the much greater return to communities from community energy as opposed to conventional corporate wind farms can be found in a 2022 study by the Orkney independent consultancy, Aquatera.[2] After comparing a sample of corporate and community wind farms in terms of the benefit they returned to the host local communities, the study found that community energy projects returned, on average, thirty-four times more income back into the communities than corporate schemes.

Obviously, we have to bear in mind that each wind farm is different: their operational costs, their efficiency or 'yield', the costs of their financing, etc, can vary greatly. But it is abundantly clear that, regardless of these individual differences, there is a vast disparity in the local economic impact of community versus corporate wind farms. Even if we use a very conservative ratio of community energy providing twenty times more community benefit than corporate wind farms (as compared to the Aquatera study finding of thirty-four times, or the Whitelee example above of fifty times), this still means that a community wind farm of two turbines will generate the same local return as a corporate scheme of forty turbines.

Five Policy Changes We Need to Deliver on Community Energy

The economic and social benefit of a green energy sector that is community owned is, therefore, clear and unarguable. Indeed, most European countries have tried to deliver some type of community ownership, whether through public sector energy companies representing the national community (the route taken by France, Norway and Ireland) or by building up their local community sector (as in Denmark and Germany). Scotland (and the UK) is a clear outlier in both respects.

[1] BVGA_SPR-Whitelee_10_year_anniversary-r1.pdf (bvgassociates.com)

[2] https://www.pressandjournal.co.uk/fp/news/highlands-islands/3720687/community-owned-wind-farms-bring-in-34-times-more-benefit-than-commercial-ones-so-whats-stopping-more-places-in-scotland-giving-it-a-go/

The best example of local community energy being developed at large scale is in Denmark, where over 50% of onshore wind farms are either community, cooperative or municipal-owned. In Scotland, in stark contrast, the figure is just 1% (110MW out of over 8,000MW installed onshore).

Not only have we failed to match Denmark in developing community energy at scale, recent progress in Scotland has slowed dramatically. Indeed, only one new community wind farm reached financial close during the whole of 2023.[3] The case for a policy reset to enable us to move on from the current stagnation to a period of growth is, therefore, clear and unarguable if we are truly interested in making the green transition that is 'fair and just'.

The good news is that the key policy changes required are regulatory rather than financial. Although additional government funding for community energy is always welcomed, the policy changes listed below do not require any additional net spending to deliver, whether by the Scottish government or by the UK government.

Policy Change 1: Set a target of 1,000 MW of community-owned energy by 2030: the Scottish Government should set a new target for community energy to deliver a ten-fold increase in the sector's current size of 110MW by 2030.

(NB: this new community energy target must be distinct from the Scottish Government's current Community and Locally Owned Energy target. Because the latter target includes various types of 'local energy' as well as community energy it hides the progress, or lack of it, in the community energy sector. In fact, only 11% of the current Community and Local Target is actual community energy whereas 41% is represented by farms and estates. The latter have a valuable place in the energy ecosystem, of course, but they are not community controlled and, as farms and estates can be sold on the open market, they do not lock-in long term local economic benefit in the same way that community energy does. They need to be categorised separately, therefore, by the Scottish Government.)

Though the proposed new target of 1,000 MW of community energy by 2030 represents a radical scale-up in terms of the status quo in Scotland, the example of other countries shows it is entirely deliverable. Denmark in particular has already demonstrated that community energy can be developed at large scale, and even our proposed major expansion would still equate to just 12% of Scotland's current onshore wind industry.

The benefits of achieving the new target, however, would be huge. Using the conservative ratio of twenty to one ratio cited above, 1,000 MW of community energy would return an average of £100 million every year back into local communities. This compares to just £5 million a year if the same 1,000 MW was being delivered by corporate wind farms making their conventional community benefit payments.

Indeed, the cumulative income from the proposed 1,000MW of community energy would be **two and a half times greater** than the community benefit payments from all the onshore wind farms operating in Scotland today. Achieving 1000 MW, therefore, would be economically and socially transformative for the green economy in Scotland.

Policy Change 2: Give priority to community energy on public land: the Scottish Government should ensure that all new and renewed leases on publicly-owned land in Scotland are offered in the first instance to community energy projects.

Forestry and Land Scotland currently hosts 2,332 MW (ie 2.3GW) of wind farms on public land, yet none of these sites appear to have been leased for community projects. Instead, they have been leased to private corporations, most of which appear to be headquartered outside the UK.[4]

[3] https://www.scottishhousingnews.com/articles/scottish-community-to-build-first-subsidy-free-community-owned-onshore-wind-turbine
[4] https://forestryandland.gov.scot/what-we-do/renewables

We call, therefore, for all government-owned sites with potential for green energy development to be offered in the first instance to local communities. Equally, when existing wind farms on the Government's forest estate approach the end of their leases, these too should be offered to local communities in the first instance for repowering as community wind farms.

These changes by themselves would begin a steady and sustained increase in the community energy sector in Scotland, benefiting not just the communities directly affected but also the surrounding regional economies and the national economy.

Policy Change 3: Ring-fence space on the grid (distribution and transmission) for community energy: it is essential that space for community energy is planned for and reserved as part of the enormous expansion of the grid network scheduled to happen over the next decade.

Investment in the national and local grid networks is planned, authorised and funded by the public sector via government regulators and levies on generators and consumers. It is a public good. Yet access to that public good is still allocated on a first-come, first-served basis as it if was a simple private good in a retail market. The traditional rationale for doing so is that it ensures a level playing-field between competing private corporations. However, far from ensuring a genuinely level playing field, this method of allocation of grid space disadvantages and discriminates against community energy applicants.

This is due to various factors including the bureaucratic complexity of the application process, the long periods (10 or 20 years) between making an application and getting a connection, and the speculative nature of the process with no certainty that a connection will ever be delivered, all of which combine to give corporations with large budgets and bureaucracies an inbuilt advantage. Community energy companies, on the other hand, tied to a specific locality, with limited development funding and reliant on the commitment of volunteer boards, are at a disadvantage. When there was a surplus of space on the grid, communities could still compete but with grid space at a premium and needing to be booked decades in advance, it is no longer a level playing field.

A good illustration of the problem was seen in the Western Isles recently, where communities had been waiting since 2010 for a grid upgrade to allow space for new community projects. Six months ago, a massive 1,800 MW expansion to the Western Isles grid was finally approved by Ofgem only for a stampede of corporate developers to immediately reserve the whole of the newly created space, leaving nothing for new community projects. (It is worth noting that none of the corporations which have taken up all the grid space appear to be Scottish or UK-owned.)

Happily, the solution to such a clear failure of policy and planning is straightforward and cost-free: 20% of any planned new grid infrastructure should be ring-fenced for use by community energy in the first instance. If community organisations do not apply to make use of the space within a defined period (eg, 3 to 5 years), the space can then be released back into the wider market. Such a ring-fence would sit easily alongside the new 'gateway' system for grid access which the ESO is now introducing.

We call upon the UK and Scottish Governments, therefore, to work together to introduce the regulations necessary to achieve fair community energy access to the grid. If the UK government does not wish to introduce this policy change across the UK as a whole, we call upon it to work with the Scottish government, the National Grid and Ofgem to allow its implementation in Scotland.

Policy Change 4: **Introduce a 'Community CfD' (Contract for Difference):** like access to the grid, access to the CfD support system is also an uneven playing field due to the costs and bureaucracy involved, and the UK government should redress this imbalance in similar fashion, by ring-fencing a percentage of future CfD rounds for community energy.

The government already requires the CfD auction process to be divided into different pots such as offshore, new technologies and remote islands. A separate CfD pot for community energy, therefore, should not pose any special administrative or regulatory difficulty, nor should it add to the overall cost of the CfD budget.

If the UK Government does not wish to introduce a community energy CfD across the whole of the UK, it should still work with the Scottish Government to enable it for wind farms in Scotland**.**

Policy 5: Use the opportunity arising from the repowering of wind farms to expand community energy: wind farm leases and planning consents typically run for 25 years and so, over the next 15 years, an increasing number of wind farm leases and planning consents will be coming up for repowering: the Scottish government needs to work with the community energy sector, private developers and local councils to use this as an opportunity to develop the community energy sectors further.

Up until now, the repowering process has been viewed as a logistical and administrative challenge only, with the primary issue being how best to increase the physical size, output and efficiency of the new turbines. Policy makers have sought to streamline the process to make it faster and easier for the companies involved.

We strongly disagree with this narrow approach. The repowering of wind farms raises major issues of equity and community wealth-building which Government needs to address as an urgent priority. The current occupants of wind farm permits have no legal or moral right to hold these sites in perpetuity and, likewise, there should be no automatic presumption that the current 99% corporate dominance of onshore can be simply waved through for another 25 years. On the contrary, governments at both Scottish and UK level need to conduct a serious social and economic analysis of the best balance of ownership for the future.

We need to use the repowering of wind farms as an opportunity to review the progress of the green economy over the past two decades, to assess its successes and failures, compare it with the achievements of our European neighbours, and have an informed debate about its future structure. In particular, all levels of government need to assess whether a better balance can be achieved between the community, corporate and municipal sectors than we have currently. We call upon both the Scottish and UK Governments, therefore, to convene a short-term working group including all interested parties to discuss the social and economic policy challenges and opportunities of wind farm repowering.