

May 2017

## 1. Introduction

The Scottish Government's target of 500MW of installed community and locally owned renewable energy capacity was met five years early, and more than £10 million in community benefit funds are now being generated every year, funding hundreds of projects the length and breadth of the country.

The Scottish Government intends to build on this achievement. The Scottish Government's draft Energy Strategy introduces two new targets to increase the Local and Community Owned target to 1GW by 2020 and 2GW by 2030, and promote the expansion of shared ownership projects by ensuring that, by 2020, at least half of newly consented renewable energy projects will have an element of shared ownership. These are extremely challenging targets. It is clear a significant proportion of the new community and locally owned target will have to be delivered through shared ownership projects.

However, shared ownership is still a relatively new and emerging concept in the UK. In Scotland, around 37 shared ownership projects currently exist, delivering approximately 37MW of operational capacity. To achieve these ambitious targets, a step change in the delivery of shared ownership projects is clearly required. This must be delivered against an increasingly challenging policy landscape for projects in development, which currently face a very uncertain future.

This paper sets out principles and measures which Scottish Renewables believe should guide policy on shared ownership in order to ensure that it does not undermine the overall investment framework for renewables and instead, supports progress towards delivery of the draft Energy Strategy's vision.

## 2. Definition

The Scottish Government understands<sup>1</sup> 'shared ownership' to refer to any structure which involves a community group as a meaningful financial partner in a renewable energy project.

## 3. Revenue support

It is important to recognise at the outset the financial landscape within which renewable energy projects are currently operating.

To date, all shared ownership projects have been delivered under the Renewables Obligation, Feed-in Tariff (FiT) and Renewable Heat Incentive (RHI). The introduction of the competitive Contracts for Difference (CfD) mechanism significantly alters the revenue and risk profiles of projects, introducing important new considerations for their delivery.

Under the CfD, once projects have met eligibility criteria they must compete in cost-competitive allocation rounds to secure revenue support. This means that post consent, in comparison to the RO, the risk of non-delivery is increased and the revenue of a project remains uncertain until a CfD is secured. What is certain is that margins are increasingly tight and timing is absolutely critical in the allocation process.

In addition, at the time of writing, there is no commitment from the UK Government to hold a future allocation round for 'established technologies'<sup>2</sup>.

Recent changes to the FiT and RHI, including tariff reductions and deployment caps, bring similar risks for smaller-scale renewables and heat projects.

The timing and form of community involvement in a shared ownership project must therefore be reflective of these risks.

---

<sup>1</sup> Local Energy Scotland, Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments

<sup>2</sup> Established technologies in Pot 1: Onshore Wind (>5MW), Solar Photovoltaic (>5MW), Energy from Waste with CHP, Hydro (>5MW and <50MW), Landfill Gas and Sewage Gas

#### 4. Overarching principles for the delivery of shared ownership projects

Scottish Renewables continues to support the Scottish Government's Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments, published in September 2015.

We also support the principles outlined in the report by the Shared Ownership Taskforce established by the UK Government and published in November 2014.

The key overarching principles included in both of these documents, which must continue to underpin shared ownership policy to deliver the step change required, are outlined below.

- **Flexibility**

Flexibility is a key component of the deliverability of shared ownership projects. No two communities are the same, and equally no two projects are the same. Capacity, risk appetite, viability and community aspirations will vary on a case by case basis, and by technology type. It is essential that developers and communities retain as much flexibility as possible to develop shared ownership models that work for both parties given their particular circumstances.

This is increasingly important given the uncertainties introduced through changes to revenue support as outlined above.

Any introduction of requirements on timing of offers, offer size or partnership form, run counter to this overarching principle, reducing flexibility for both the community and the commercial developer. Ultimately this will restrict the number of viable shared ownership projects that could be delivered, and must be avoided.

- **Inclusivity**

Scottish Renewables supports building stronger links between individuals and communities, and the energy they use. To that end, shared ownership structures should be as inclusive, equitable and accessible to as broad a range of communities and individuals as possible.

A flexible approach to ownership models must therefore be supported. For example, in addition to the three standard models of shared ownership<sup>3</sup>, consideration should be given to enabling communities to invest in regional or national portfolios of renewables projects or through other finance options (such as crowd-funding or the proposed Scottish Renewable Energy Bond) and for this to be recognised as shared ownership.

This gives the widest possible range of communities and individuals the chance to invest in renewable energy schemes in a way that is best suited to their aspirations, capacity and risk appetite.

- **No detriment**

There are a variety of reasons why a shared ownership offer may not be taken up by a community. Where a community does not have the appetite or capacity to progress with a shared ownership scheme, it must not impact upon the developer's ability to deliver the project.

Therefore, rather than restricting development, shared ownership policy must seek to encourage and empower communities to develop the skills and appetite to become partners in renewable energy projects.

To that end, Scottish Renewables supports continued funding of the Renewable Energy Investment Fund (REIF), Community and Renewable Energy Scheme (CARES), and other associated advice and support schemes, as implemented by Local Energy Scotland.

---

<sup>3</sup> Joint venture, split revenue and split ownership are recognised as the three 'standard' models of shared ownership

- **Cost neutrality**

At all times, shared ownership must be taken forward in a way which does not increase project costs. In line with the Scottish Government's Best Practice Principles, projects should strive to minimise additional costs, and where possible should be no more costly than without a shared ownership element.

Shared ownership should also not significantly impact on project timelines.

This principle is increasingly important at this time of doubts over the economic viability of investment in onshore wind or solar above 5MW, and the challenging economics of hydro investment with the new FiT bands. Shared ownership policy should aim to facilitate greater deployment of renewable energy to ensure communities across Scotland can share in its many benefits.

- **Role in planning**

The identity and commercial status of an applicant cannot be a factor in the determination of any planning application<sup>4</sup>.

Shared ownership, therefore, is not and cannot be a material planning consideration. Under the same principle, shared ownership can also not be conditioned on any development through its consent.

However, the ensuing socio-economic benefits of any development may be a material planning consideration. Scottish Planning Policy<sup>5</sup> states considerations relating to proposals for energy infrastructure developments are likely to include net economic impact, including local and community socio-economic benefits such as employment, associated business and supply chain opportunities.

We will continue to work with the Scottish Government and other stakeholders to develop guidance on how shared ownership offers and agreements should be assessed in planning applications in the context of the CfD framework.

## **5. Nature of projects and technologies**

In line with the Shared Ownership Taskforce's report, we recommend that interested communities should only be offered shared ownership of commercial projects whose primary purpose is to export energy onto a public network.

It is also important that any new guidelines on shared ownership reflect the very different commercial realities of the wide range of renewable energy technologies, all of which are at differing levels of maturity and deployed at very different scales. The various technologies have very different risk profiles and there may be greater challenges to open up projects to shared ownership in some areas (for example large scale offshore wind) than others.

The existing good practice principles have been developed for onshore renewable energy developments, with a particular focus on onshore wind. Further discussion and dialogue is required if the guidance is to be extended to other technologies.

## **6. Conclusion**

The ambitious targets for community and locally owned energy and shared ownership projects as set out in the draft Energy Strategy will require a step change in their delivery rates. This will be particularly challenging within the current financial landscape in which renewable energy is operating.

We believe that the best way for government to continue the growth of our sector while widening the ownership of projects is to ensure a flexible approach.

Scottish Renewables will seek to play an active role in the development of policy in this area to ensure that the principles set out above are adhered to.

---

<sup>4</sup> Please also see [Scottish Government Planning Circular 4/1998](#) paragraphs 91 and 92

<sup>5</sup> para 169