REGEN

Climate Hubs – exploring shared ownership

Evidence case

An overview of the evidence gathered by Regen and partners exploring shared ownership and community benefit funds to support community-led climate action.

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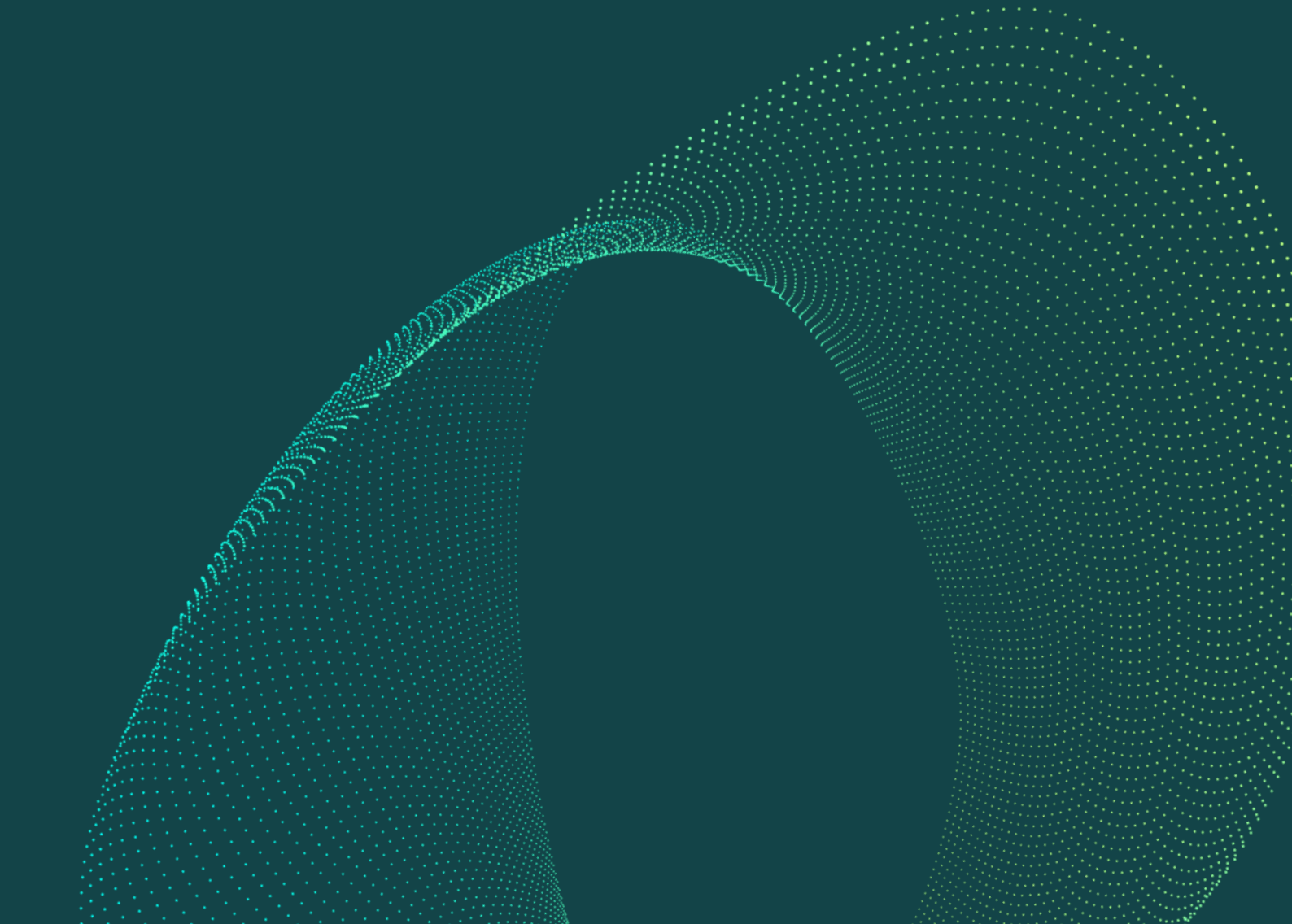


Contents

Section 1:

Introduction

An overview of the work done for this feasibility study and a summary of the findings.

This evidence case report provides an overview of Regen and partners' feasibility analysis of the potential for Community Climate Action Hubs to take an ownership stake in commercial clean power generation projects. This report sits alongside and underpins our proposals for a work programme for 2026/27 to further explore and develop opportunities.

1.1. Research method

The following research, analysis and engagements were conducted to inform this evidence case:

1. Desk-based research into existing shared ownership projects
2. Informal and formal engagements with 12 organisations and individuals
3. High-level financial modelling for onshore and offshore wind projects
4. High-level pipeline assessment of onshore and offshore renewable energy projects.

1.2. Summary of key findings

This early feasibility work has identified specific project opportunities for the community Climate Hubs to take a share of ownership in renewable energy projects. Some developers are already convinced of shared ownership's merits and are seeking experienced, effective partners to collaborate with.

However, the modelling and stakeholder engagement for this project demonstrates that the returns from renewable generation projects have reduced with lower subsidies, increasing supply chain costs and the higher cost of capital. This has led to some developers being more reluctant to involve another party at the risk of increasing costs – and means a community partner will need to carefully assess the returns they might expect to receive.

The key to unlocking returns that make a shared ownership project worthwhile will be obtaining low interest finance, ideally with some element of grant support. Potential options to provide investment include GB Energy, which is currently working on how its low-interest loans may look with a view to providing details in the summer. The Scottish National Investment Bank

(SNIB) is an option for larger projects. Socially focused investors such as Triodos are also active in this space.

The role of the community Climate Hubs within this landscape could take many forms. From a developers' perspective, an organisation with national links, strong governance structures and the capacity to engage is positive. However, the lack of clarity as to whether the Hubs' funding will continue will make developers question if they are viable long-term partners.

Sensitivities around local contexts, existing support organisations and engagement already undertaken with local communities also need to be considered on a case-by-case basis, with the local Climate Hub best placed to understand these nuances. While support organisations we engaged with in this project broadly support the Climate Hubs, it will be necessary to build close links and collaborate with them.

Overall, there is potential for the Climate Hubs to engage in shared ownership projects in the future – especially onshore – in collaboration with other local partners. However, it is important to see this as a long-term strategy, particularly as returns in the early years of projects are likely to be modest. Key next steps include for the Hubs to define their 'offer' to developers, to establish clear relationships with partner organisations, to engage with an expert development partner and then to engage with specific projects to understand the commercial model in more detail.

Section 2:

Shared ownership and project development

A brief explainer on renewable energy developments, how they are financed and typical shared ownership structures.

2.1. **Project development**

Renewable energy projects follow the same broad development process. For offshore renewables, scale, complexity and cost increase dramatically, but the basic structure remains the same.

1. Early stage development
    a. Site identification and feasibility
    b. Securing land or seabed rights
2. Permitting and consent
    a. Obtaining a grid connection
    b. Environmental and technical surveys
    c. Consultation and community engagement
    d. Planning and consenting
3. Financing and Final Investment Decision (FID)
    a. Securing Contracts for Difference (CfD), Power Purchase Agreements (PPAs), and debt and equity investors.
4. Construction
5. Commissioning and Operation.

In general, as outlined in Scottish government's Good Practice Principles for Onshore Shared Ownership, the advice is to start conversations with developers as early in the development process as possible.

2.2. **Project finance**

Project financing is often multi-layered and designed to spread risk over multiple parties. Most projects set up a special-purpose vehicle (SPV) for each project. The mix of finance usually includes:

1. Equity (typically between 20-40% of the total finance)
    a. May come from the developer or an investor
    b. Could later be sold to pension funds, infrastructure funds or utilities
    c. Could include community-owned finance of the project.
2. Debt (typically between 60-80% of the total finance)
    a. Typically provided by a mixture of commercial banks and public finance institutions (e.g. National Wealth Fund).

The revenue for a renewables project in the UK is typically underpinned by a Contracts for Difference (CfD), which is the government backed mechanism for guaranteeing long-term revenue stability. Developers bid for a strike price; if market prices fall below it, they receive a top-up, and if prices rise above it, they pay back the difference. The CfD provides a predictable revenue stream that enables projects to secure debt financing at lower rates.

It is worth noting that whilst this is a typical project set-up, each project can be significantly different depending on the developer. For example, some developers are large utilities that can finance larger proportions of projects on their balance sheets.

2.3. **Shared ownership models**

According to the Scottish Government's Good Practice Principles, shared ownership is **"any structure which involves a community group as a financial partner over the lifetime of a renewable energy project."** For this project we take this to mean having an equity stake in a project.

More detail on the fundamentals of shared ownership and key challenges can be found in Regen's paper Sharing power – unlocking shared ownership for a fast and fair net zero transition.

The three most typical models are outlined in the following graphic.

Common models of shared ownership

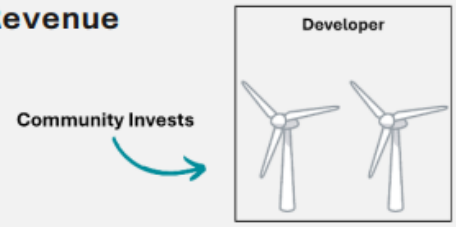
Model		
Split ownership		Community owns a physical portion of the project - e.g., one wind turbine in a larger wind farm. They also assume the risks and rewards for their owned portion of the project.
Joint Venture		Community group and developer co-own a special purpose vehicle (SPV). Voting rights, risks and rewards are proportional to the community's ownership stake. Often the community holds a minority of shares (e.g., 10%).
Shared Revenue		Community purchases a share of the project's future revenue. There is no ownership of physical assets, voting rights or control over project. These projects tend to hold lower risk, but also lower potential returns compared to other models.

Figure 1: Common models of shared ownership. Adapted from Local Energy Scotland's shared ownership module

Section 3:

Stakeholder engagement

A summary of the stakeholder engagement conducted during the project. This has been grouped into the key themes; summary notes for each engagement are available in the appendix.

Regen engaged with 12 key stakeholders in this project. This included four support organisations, three developers, two government departments and three investors. A full list is available at the end of this section.

3.1. **Themes**

3.1.1. **Finance, governance and project specific considerations**

Shared ownership timescales

- Communities and their funders have the greatest ability to influence the terms of a shared ownership agreement if they **engage pre-consent**. However, stakeholders noted that setting a price early can be difficult as developers are often reluctant to commit to a price-setting mechanism at that stage.
- Another consideration is that many projects to be built before 2030 already have consent and planning. Therefore, getting involved in projects soon will require talking to developers who already have planning secured.

Financing

- Multiple developer and community developer stakeholders highlighted that the project SPV is usually legally obligated to service any debt first, so revenue flows to the community only after operating costs and debt payments are met. Because of this structure, **annual revenue for communities could be low during debt-servicing periods but jump** once the commercial debt is fully paid (see modelling and Whitelaw Brae wind farm case study).

- The obligation to legally service debt first can also cause issues in securing senior debt for shared revenue and joint venture projects. This is because the commercial developer's bank usually already holds the first-ranking charges over the project's assets and shares. In split ownership models, as the community owner is owning the asset outright, it is much easier to access debt financing.
- While split-ownership is simpler for debt financing, one stakeholder noted that this model involves significant legal and operational costs because the community-owned portion must be capable of independent operation.
- Both developers and investors raised the need to be aware of state aid rules. If a project has a CfD, it counts as a subsidy, and the rules prohibit it from receiving additional state aid.
- Stakeholders raised the possibility of raising equity through crowdfunding as this would allow interest-only payments while deferring capital repayment until the end of the project. However, crowdfunding larger sums can be challenging.
- Commercial investors focus their due diligence on the project, but also can look at an organisation's governance structure, risk management procedures, financial health among other metrics. Investors such as Triodos are experienced in investing in community-led initiatives and therefore often adjust their expectations and due diligence approach.
- Several investors we engaged with are enthusiastic about shared ownership and keen to have further conversations once a pilot project is being explored and to test the options with solid numbers in a real-world scenario.
- Transaction costs for purchasing a share of a renewable energy project are significant. These are usually added to the loan used to finance the ownership share. If the Hubs could access grants to cover these costs that would reduce the effective interest rate.

Scottish National Investment Bank

The Scottish National Investment Bank is a mission-driven bank (Net Zero, Place and Innovation) but operates strictly on a commercial basis. It does not provide grants or sub-commercial 'first loss' capital; it expects to invest on terms similar to those of private lenders. However, it provides 'patient capital' lending over longer time periods than traditional private investors.

SNIB typically lends between £1 million and £50 million. So far, it has not financed any community or shared ownership project because the scale of projects is typically below the lower limit.

While SNIB has an average target rate of return of 3-4% across its portfolio, individual project rates of return vary depending on the specific risk involved. SNIB would not fund 100% of a project and always seeks to 'crowd in' private finance.

Governance

- In Joint Venture projects, communities typically hold the minority stake and therefore require **robust legal protections** to prevent majority owners from inflating management costs of shareholder loans.
- Once a project is operational, commercial partners often want the freedom to **sell their stake** or refinance. A community energy developer recommended that communities negotiate 'first refusal' rights or the ability to block refinancing that might negatively impact their position without consent.
- Developers need to be confident that the Hubs will be able to engage with them effectively through the period of the transaction, which can take many months to years.
- Once the transaction is completed, it is likely that the Hubs' share of the project will be held by a Special Purpose Vehicle (SPV) that operates for the benefit of the Hubs and/or local community. Clauses within the organisation's governance could include contingencies for if the Hub(s) no longer exist. For example, funds could be diverted to similar causes in the local community. The details of the structure and constitution of an SPV for this purpose would require specialist legal advice.

Conclusions:

- **Clarity on the resourcing of the Hubs beyond the current year would be necessary for negotiations with developers on specific projects as they value partners that will have the resources to engage throughout a transaction.**
- **Shared Ownership would be a long-term strategy for the Hubs as returns are typically low in the earlier years of a project whilst loans are paid down.**
- **The Hubs should work with an experienced community energy developer to develop pilot projects and navigate the complexities of shared ownership.**
- **It is likely that ownership of a share of a project would be held in a special purpose vehicle (SPV) whose purpose was to use returns to fund the work of the Community Climate Action Hub(s). The constitution of the SPV could cover the eventuality that the Hubs no longer exist by requiring any returns to be invested in similar purposes. Specialist legal advice will be required.**

3.1.2. **Role of the Hubs**

- Stakeholders see a role for the Climate Hubs in:
    - **Supporting the community with capacity** alongside other projects such as Community Energy Launchpad.
    - Taking up shared ownership where communities may not be able to. A strength of the Hubs could be having a portfolio of shared ownership projects across Scotland to reduce the risk to any one community.
- One developer suggested there is a gap between the developer and the community, with a role for an intermediary to sit between the two to combine shared ownership expertise with deep local roots.
- Multiple stakeholders raised the strength of the Hubs in being a network and being able to share expertise. From a developer's perspective, this can build confidence in the Climate Hubs as a professional, experienced partner. However, if the Hubs' future funding is not clear this will make them a less attractive partner.
- Many stakeholders encouraged the Hubs to pursue pilot projects to prove the concept and enable confidence in being able to scale it up.
- Some stakeholders raised the lack of capacity of local authorities to support and lead on community projects, with some communities seeing them as "barrier creators as opposed to barrier dismantlers". However, other stakeholders noted that some councils, such as the Highlands and Islands have been actively getting involved in projects.

Conclusions:

- **Local Hubs could work alongside communities to pro-actively approach developers and create shared ownership opportunities.**
- **The Hubs could leverage the network's strengths by sharing knowledge and opportunities across Hubs to increase portfolio diversity and reduce risk.**

3.1.3. Onshore sensitivities and collaboration

- Stakeholders noted feedback that there can be multiple well-meaning individuals and organisations trying to support communities in an area. This can become confusing for communities themselves.
- The Scottish Community Coalition on Energy, consisting of Community Energy Scotland, Development Trusts Association Scotland (DTAS) and Community Land Scotland, is active in advocating for shared ownership and recently published a paper on shared ownership.
- The potential to work with Forestry and Land Scotland (FLS) was highlighted. They are piloting granting communities "front of the queue" rights for repowering onshore wind projects on public land.

Conclusions:

- **Climate Hubs should set up regular meetings with support organisations, including Local Energy Scotland, to coordinate efforts to support communities in pursuing shared ownership opportunities.**
- **Climate Hubs should contact Forestry and Land Scotland to determine the timescales for the pilot, determine the hubs that are local to these projects, and investigate if there is a role to support.**

3.1.4. Other work currently being undertaken

- DTAS is overseeing the creation of a shared ownership toolkit (expected imminently) to help groups run public meetings, understand basic risks and approach developers for the first time
- Local Energy Scotland have a list of planning applications that include shared ownership – they update this regularly. Their latest update is included in this report.
- The University of Edinburgh is researching the technical assistance needs of local authorities and Climate Hubs, mapping existing technical assistance models in Scotland
- Green Finance Institute (GFI), GB Energy, Scottish National Investment Bank (SNIB) and National Wealth Fund are currently working together to understand community energy archetypes and the needs for project finance. This is expected to inform the finance GB Energy offer – further details are expected in the summer.
- The Scottish government's offshore community benefit and shared ownership team have been analysing last year's consultation response and doing desktop research on community benefits and shared ownership from offshore renewables. They are waiting on the UK government's decision on these topics (expected in the summer), before

refreshing the Good Practice Principles for Offshore Community Benefits by the end of the year.

- The Energy Systems Catapult is currently working on creating a suite of templates and supporting documentation for shared ownership projects for GB Energy.

3.2. List of stakeholders engaged

Triodos
Scottish National Investment Bank
Green Finance Institute
University of Edinburgh
Thrive Renewables
Nadara
Energy4All
Local Energy Scotland
Foundation Scotland
Development Trust Association Scotland (DTAS)
Scottish Government onshore community benefits
Scottish Government offshore community benefits

Section 4:

Modelling outcomes

High-level modelling was conducted for typical offshore wind, onshore wind and solar projects to understand potential returns. A detailed report on the modelling can be found in the appendix.

The financial modelling aims to illustrate the potential monetary flows that could accrue to Community Climate Action Hubs from an investment in a project made in the next few years. Note that it is **illustrative** and is based on a notional project using the assumptions set out in the detailed appendix. The specifics of individual projects, including, for example, the CfD strike price, TNUoS (Transmission Network Use of System) charges and offshore transmission links, are critical to actual returns.

Considerations arising from both onshore and offshore modelling include:

- The interest rate on debt used to purchase the Climate Hubs' share of a project will be a key determinant of the returns achieved
- There may be a period beyond the CfD (the 'merchant tail') where debt will likely still need to be financed but revenues won't be guaranteed or consistent
- Most revenue will be used to pay back commercial and other debt taken to finance the project (e.g. public sector loan). Therefore, there will likely be low returns in the first few years.

Conclusion:

- **Returns from renewable generation projects have reduced with lower subsidies and higher costs. Returns also tend to be low in the first few years as loans are paid down. The Hubs will need to carefully assess the returns they might expect to receive on specific projects.**
- **Hubs will need the expertise to negotiate hard on the project's valuation at the point of purchase, seek the lowest possible interest rate on any debt, and fully understand the risks of investing in renewable energy projects. This means working with an expert community development partner and expert advisers.**

4.1. Offshore wind

4.1.1. Base case assumptions

Illustrative modelling has been conducted for a **1 GW** offshore wind farm built in southern Scotland, commissioned in 2028 and **operating for 30 years**. It assumes an **AR6 CfD** and a Shared Ownership (SO) Company taking a stake in the equity of a project-financed **joint venture**. Shared ownership is assumed to be taken up at Commercial Operations Date (COD). The SO Company is assumed to be financed by a public sector loan over 20 years at interest rates below market levels (2%).

Upfront stake: £25 million (2% of equity in Joint Venture SPV)

Values in £million (2025, real, undiscounted)	2030	2043	2048
Revenue	7.5	4.8	4.8
Operating Costs	1.6	1.6	1.6
Commercial debt servicing	4.1	0.0	0.0
Cash flow from project to SO	1.8	3.2	3.2
Public Sector loan servicing	1.5	1.5	0.0
Final SO income per year	0.3	1.7	3.2
Cumulative lifetime income (30 years, undiscounted)			45

4.1.2. Sensitivities

Sensitivities explore TNUoS (charges paid by generators to cover the cost of using and maintaining the transmission network), operating costs and revenues, public-sector loan interest rates and the option of a public-sector grant replacing the loan. All these examples can be found in the detailed appendix. The table below highlights one of these sensitivities: low revenue.

Values in £million (2025, real, undiscounted)	2030	2043	2048
Revenue	6.7	4.2	4.2
Operating Costs	1.6	1.6	1.6
Commercial debt servicing	4.1	0.0	0.0
Cash flow from project to SO	1.0	2.6	2.6
Public Sector loan servicing	1.5	1.5	0.0
Final SO income per year	-0.5	1.1	2.6
Cumulative lifetime income (30 years, undiscounted)			24

4.2. Onshore wind

4.2.1. Base case assumptions

The example chosen is a **51 MW** wind farm with an **AR6 CfD** contract, where the SO organisation takes a stake in a joint venture. It assumes an operational lifetime of **30 years**. Two financing structures are considered: a balance sheet funded project (with no project-level debt in the SPV) and a project-financed structure with commercial debt at the project level.

The key input parameters for the onshore wind farm are set out in the accompanying detailed modelling report.

10% equity stake in a balance sheet project, with no commercial debt under base case assumptions. Upfront stake of £9.1 million.

Values in £million (2025, real, undiscounted)	2030	2043	2048
Revenue	1.20	0.90	0.90
Operating Costs	0.34	0.35	0.35
Commercial debt servicing	0.00	0.00	0.00
Cash flow from project to SO	0.86	0.54	0.54
Public Sector loan servicing	0.56	0.56	0.00
Final SO income per year	0.30	-0.01	0.54
Cumulative lifetime income (30 years, undiscounted)			9.9

20% equity stake in a project-financed joint venture project, with commercial debt under base case assumptions.

Values in £million (2025, real, undiscounted)	2030	2043	2048
Revenue	2.4	1.8	1.8
Operating Costs	0.69	0.70	0.70
Commercial debt servicing	1.24	0.0	0.0
Cash flow from project to SO	0.48	1.09	1.09
Public Sector loan servicing	0.44	0.44	0.00
Final SO income per year	0.04	0.65	1.09
Cumulative lifetime income (30 years, undiscounted)			14.8

4.3. **Onshore solar**

4.3.1. Base case assumptions

A **50 MW** split-ownership solar site has been modelled, with an **AR7 CfD** contract. It is assumed to have a **30 year** operational lifetime. In this scenario, the SO company owns specific panels, has its own land rental agreement and enters into its own operation and maintenance agreements.

20% of the split-ownership of a 50 MW site. Upfront stake of £5.4 million.

Values in £million (2025, real, undiscounted)	2030	2043	2048
Revenue	0.67	0.67	0.54
Operating Costs	0.20	0.23	0.23
Commercial debt servicing	0.0	0.0	0.0
Cash flow from project to SO	0.51	0.44	0.31
Public Sector loan servicing	0.33	0.33	0.0
Final SO income per year	0.11	0.11	0.31
Cumulative lifetime income (30 years, undiscounted)			5.3

Due to variable expenses such as land rental, business rates, insurance and other operating expenses, as well as fixed costs associated with arranging initial financing (>£100,000), this model incurs additional costs. These costs remove the majority of the remaining profit shown in the above table.

Section 5:

Opportunity pipeline

Desktop analysis, along with conversations with developers and Local Energy Scotland, has provided an overview of potential projects that could be pursued.

In Scotland, there are 343 operational renewable energy projects, totalling 10 GW. Of those projects, 32 include an element of shared ownership, totalling 880 MW of installed capacity. The community-owned element of this is 36 MW (Figure 2: Scottish shared ownership overview. Data source: Changeworks analysis of CARES data. For sites larger than 12 MW, the community-owned percentage of the site has been below 10%.

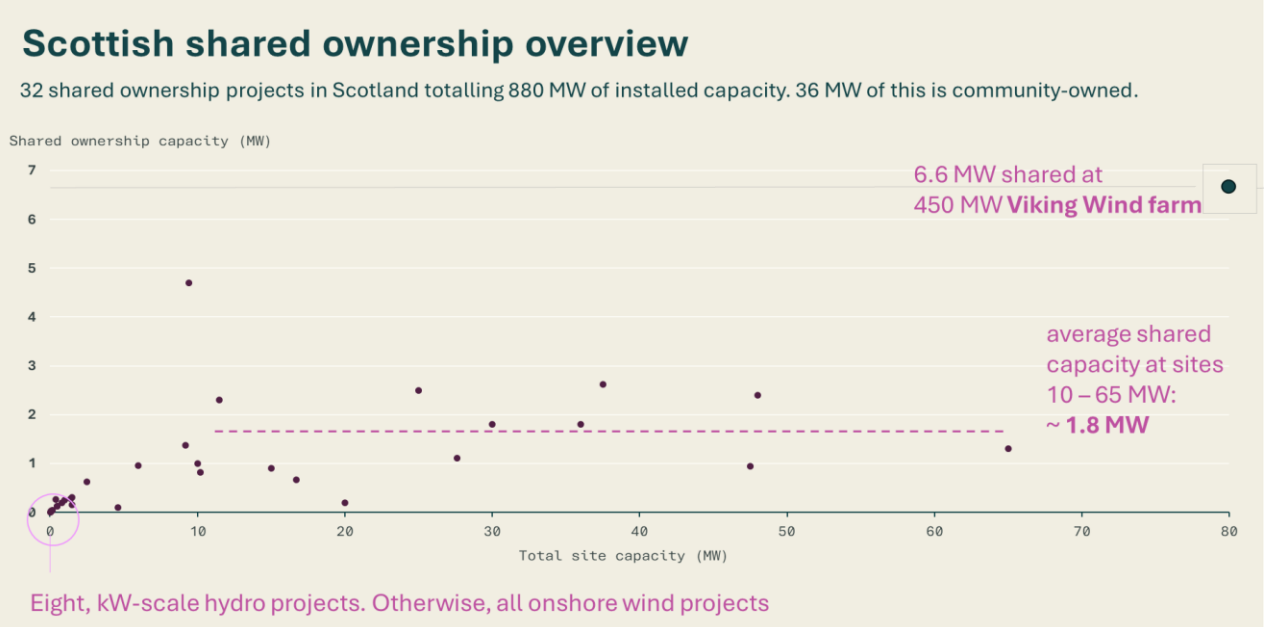


Figure 2: Scottish shared ownership overview. Data source: Changeworks analysis of CARES data

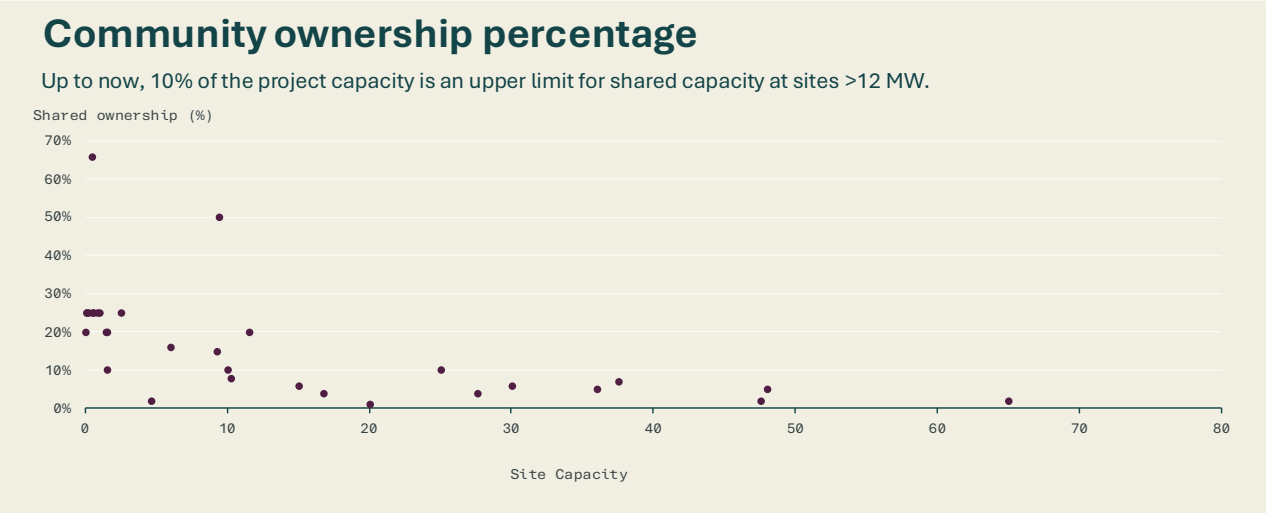


Figure 3: Community-owned capacity at shared ownership sites

5.1. Onshore wind and solar

Regen used the Renewable Energy Planning Database (REPD), Contracts for Difference (CfD), and LES planning application analysis to create this opportunity pipeline.

1. The REPD tracks the progress of renewable energy projects from planning through construction to operation
2. Many projects will have a CfD with the UK government. This contract guarantees renewable projects a fixed price for their electricity, stabilising revenue over the contract period
3. Local Energy Scotland has been keeping track of when shared ownership has been mentioned in planning applications.

There are opportunities to enter into shared ownership agreements at various stages of project development. In general, engagement with developers as early in the project development as possible is recommended (see Scottish Government Good Practice Principles). However, developers may be open to entering into a shared-ownership agreement at any time.

For communities, projects that have a strong financial basis and a secure long-term business model are the most attractive, as they present the lowest risk, and are most likely candidates to be able to raise finance. For example, a project that has secured a CfD will have stable revenues backed by government over the CfD period (15-20 years).

Based on these considerations, we have narrowed the opportunity list to 14 projects (all wind) that have a CfD, have indicated they will offer shared ownership, and have a planning application granted. It is worth noting that even those who have not indicated in planning they are interested in offering shared ownership, may still be open to collaboration if approached. A full list of planned projects, projects that have a CfD and those that have indicated they are open to shared ownership can be found in the accompanying workbook.

Table 1: Fourteen projects that have a CfD and have indicated support for shared ownership in planning

Project name	**Size** (MW)	**Developer**	**Target commissioning date** (year)	**Climate Hub**
Moorshield Wind Turbines	15	Wind 2 Ltd	31/03/2029	East Renfrewshire Climate Hub
Camilty Wind Farm (FLS)	21.6	Vantage RE Ltd	01/04/2027	West Lothian Climate Action Network
Priestgill Wind Farm	22.4	Muirhall Energy Ltd	31/03/2027	Lanarkshire Climate Action Hub
Sallachy Wind Farm	44.1	Boralex Inc	31/03/2029	Highlands & Islands Climate Hub
Bettyhill Wind Farm Extension	48	Eden Renewables	01/03/2028	Highlands & Islands Climate Hub
Clachaig Glen Wind Farm (FLS)	52.8	RWE Renewables UK Developments Ltd	03/04/2028	Argyll & Bute Climate Action Network (ABCAN)
Clashindarroch 2 Wind Farm (FLS)	63	Vattenfall Wind Power Ltd	31/03/2028	NESCAN Hub
Crystal Rigg 1 Wind Farm Repower	72	Fred Olsen Renewables Ltd	01/04/2026	Scottish Borders Climate Action Network
Heathland Wind Farm (FLS)	77.1	EDF Energy Renewables Ltd	31/03/2028	Lanarkshire Climate Action Hub
Cloich Forest Wind Farm (FLS)	78	EDF Energy Renewables Ltd	31/03/2028	Scottish Borders Climate Action Network
Pencloe Wind Farm (FLS)	85.5	North British Windpower Ltd	01/04/2027	Ayrshire Climate Hub
Hopsrig Wind Farm	85.8	Muirhall Energy Ltd	31/03/2029	D&G Climate Hub
Glendye Wind Farm	124.8	Coriolos/ESB	31/03/2029	NESCAN Hub
Glen Ullinish 2 Wind Farm	310.2	Muirhall Energy Ltd	31/03/2029	Highlands & Islands Climate Hub

Early-stage onshore wind projects awaiting planning decisions

67 onshore wind sites (>10 MW) have applied for full planning permission in the past two years and are awaiting a decision.

These sites may receive a Gate 2 connection offer and proceed to connect before 2035.

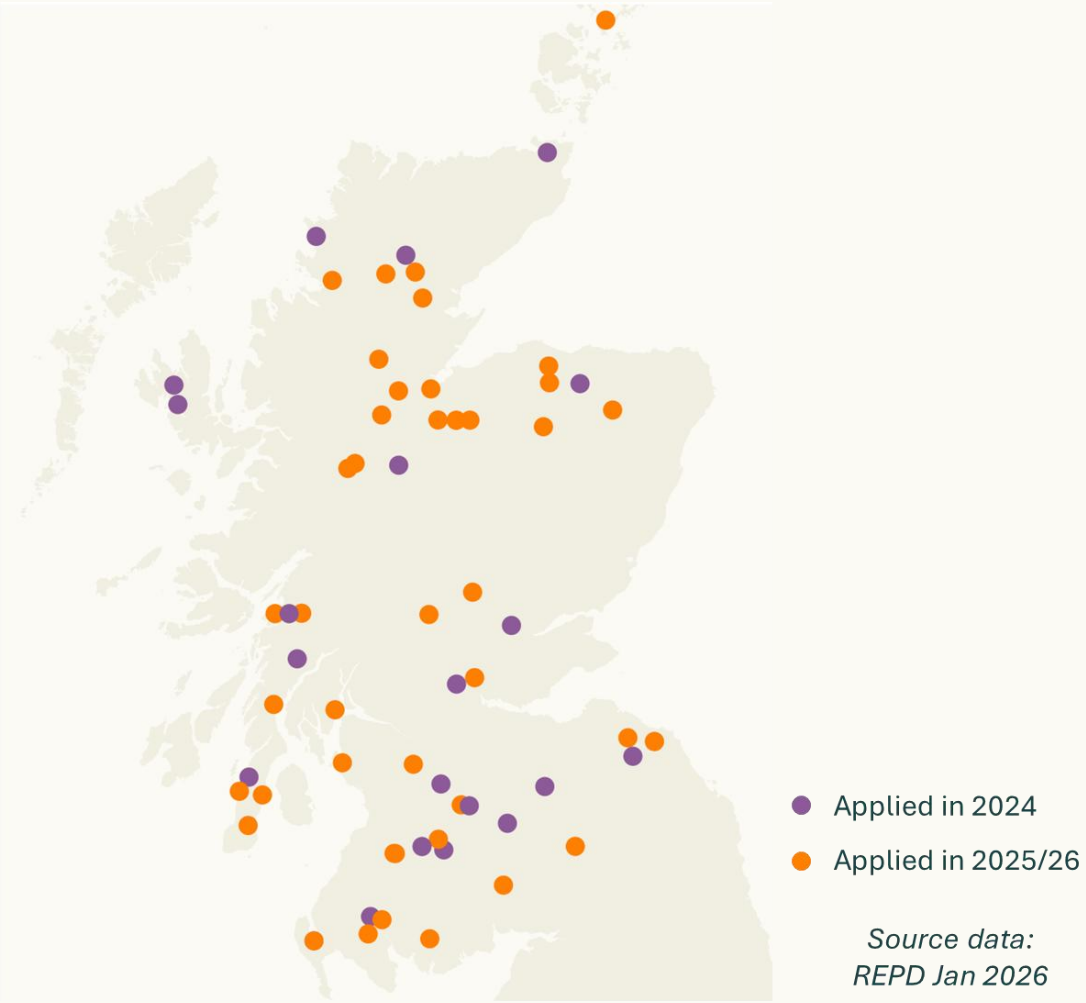


Figure 4: Early-stage onshore wind projects awaiting planning decisions

5.2. **Offshore wind**

There are 12 offshore wind projects, totalling 11GW off the coast of Scotland, either operational or in planning. A further 20.5 GW are in earlier pre-planning stages (Figure 5: Map showing the offshore wind landscape in Scotland. Consented projects are shown on the right..

The REPD, alongside CfD data, was used to ascertain the stages of development of these projects and, for those consented, the date by which they will be operational. **Immediate opportunities** to pursue shared ownership could include those in construction or those with a CfD. We have not included floating offshore wind developments in the opportunity list, as at present these are smaller and higher-risk innovative projects. These are:

1. Inch Cape owned by Red Rock Renewables and ESB
2. Berwick Bank Phase B owned by SSE Renewables

Medium-term opportunities could include those that are consented but do not yet have a CfD such as Berwick Bank Phase A and Phase C, Seagreen1A and West of Orkney (Figure 6: List of offshore wind projects in Scotland.

Note: Some stakeholders warned that, due to rising supply chain costs, high capital costs and other issues, some offshore projects may not go ahead.

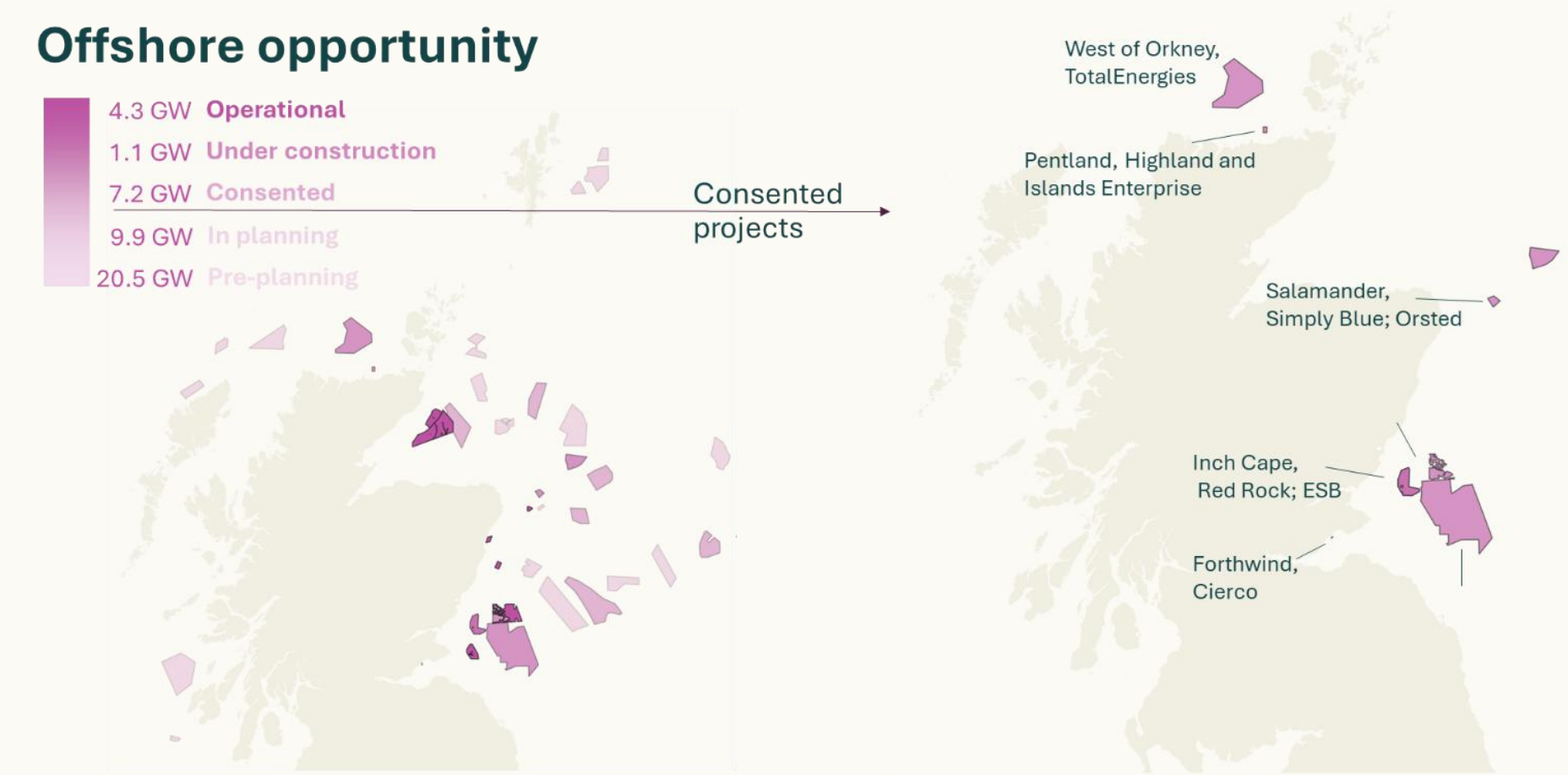


Figure 5: Map showing the offshore wind landscape in Scotland. Consented projects are shown on the right.

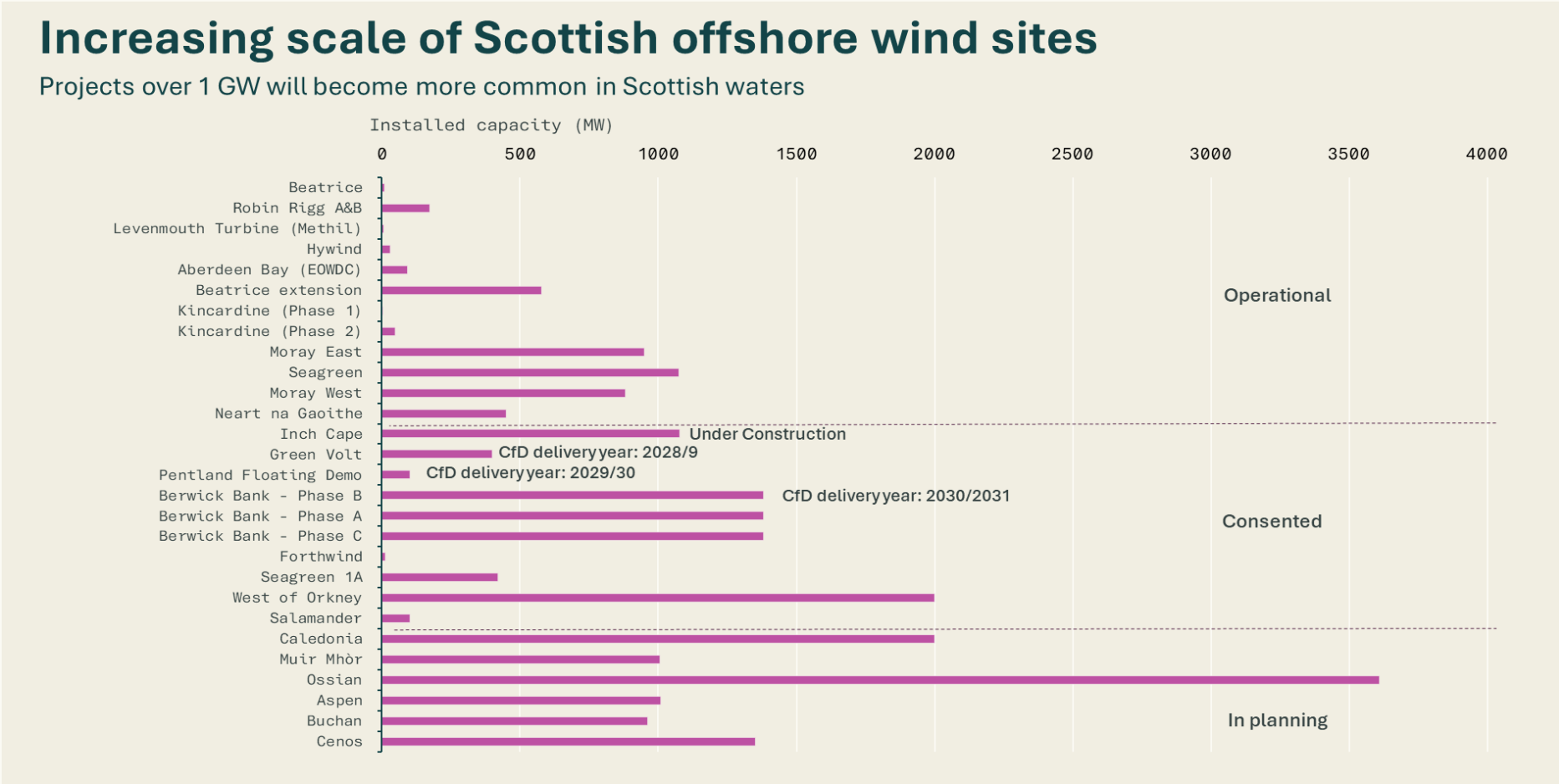


Figure 6: List of offshore wind projects in Scotland

Section 6:

Offshore community benefit fund overview

A high-level exploration of the opportunities for obtaining funding from excess community funds.

In Scotland, the standard recommended community benefit for onshore wind is set at £5,000 per MW per year. This has created a cultural expectation across Scotland that renewables should directly benefit local people. A register of community benefits that are offered across the country can be found here.

The financial expectations are less clear for offshore renewables, with no set recommended amount for a community benefit fund. However, Scotland does have Good Practice Principles for Community Benefits from Offshore Renewables. This document outlines principles for designing a community benefit package for offshore renewable energy projects, identifying the community and maximising those benefits.

According to research conducted by the Scottish government's offshore wind team, out of the 10 operational wind farms, there are four live community benefit funds (only two of these are recorded in the community benefits register linked above). Other developers have opted for non-financial community benefits, such as promoting local supply and jobs instead.

Community benefit fund name	Developer	Administered by	More information
Robin Rigg Community Fund	RWE	Solway Firth Partnership	Link
Vattenfall's Unlock our Future Fund	Vattenfall	Foundation Scotland	Link
Seagreen Community Fund	SSE Renewables	SSE Renewables Community Investment Team	Link
Neart na Gaoith Community Benefit Fund	EDF and ESB	Foundation Scotland	Link
Total			

The ScotWind leasing round, run by the Crown Estate Scotland in 2022 was the first time developers were expected to demonstrate supply chain commitments, local economic value and community and stakeholder engagement strategies. While there wasn't a formal community benefit requirement, this created a competitive pressure to show strong social value. There is unlikely to be another leasing round in the foreseeable future due to the issues with ScotWind and many projects struggling to progress.

In the next year, the UK government will consult on mandating community benefit funds. Scottish government indicated they are waiting for the outcomes of this consultation before updating their Good Practice Principles. This is expected to be completed by the end of the year.

Conclusions:

- **Work alongside Foundation Scotland and other community benefit administering bodies in local areas to access suitable funding to support specific projects.**
- **Feed in to refresh of the Good Practice Principles, advocating for the potential role of the Climate Hubs in receiving community benefit funding from offshore wind projects.**

Section 7:

Conclusions

This section brings together Regen's conclusions from the evidence gathered in this project as to the feasibility of the Community Climate Action Hubs taking a share of ownership in renewable energy projects, the next steps and key points to consider

The Climate Hubs have many strengths to pursue shared ownership projects as trusted established organisations. Early engagement has shown support from developers, support organisations and investors to work in partnership with the Hubs.

This is a good time to explore shared ownership. Several developers are expressing interest in shared ownership for their projects, particularly onshore wind. There is clear support from Scottish and UK governments and GB Energy is developing products to support shared ownership models.

However, while there is potential for Hubs to play a role in shared ownership, this is a strategy to create long-term value for the Hubs, not a route to short-term income. The commercial investment case is now tighter than it has been in the past and returns are typically low in the early years of projects. To make a project viable the Hubs will need to secure finance at below market rates, ideally supported by grant funding.

To progress work on shared ownership securing finance for the Hubs beyond the current year is a necessary first step to taking forward shared ownership so that developers see the Hubs as trustworthy, long-standing, professional partners for developers. The Hubs will also need to set out their value proposition to developers and work towards an internal governance structure to assess potential opportunities.

To engage with developers and finance providers on specific projects the Hubs will need access to development expertise and specialist advice. The potential returns achieved will be highly dependent on the project's valuation at the point of purchase, understanding and mitigating project risks, and the interest rate on any debt. Establishing a partnership with an experienced community energy developer is likely to be the quickest and most effective way to ensure the Hubs have access to the necessary skills and expertise.

To take shared ownership forward our recommendations for the next steps are:

- Create a Hub-wide agreement setting the Hubs' aims in developing shared ownership, risk appetite and a governance structure to enable effective decision making - alongside an outward-facing, explicit value proposition.

- Engage with local communities on their views of shared ownership and the potential of Climate Hubs playing a role in developing the opportunity.
- Establish regular meetings with partner organisations such as Local Energy Scotland
- Engage in the development of policy on shared ownership and community benefit for offshore wind, so that the Hubs are well-informed and can advocate for the needs of communities.

Specific findings from the evidence review

Finance, governance and project-specific

- Clarity on the resourcing of the Hubs beyond the current year would be necessary for negotiations with developers on specific projects as they value partners that will have the resources to engage throughout a transaction.
- Shared ownership would be a long-term strategy for the Hubs as returns are typically low in the earlier years of a project whilst loans are paid down.
- The Hubs should work with an experienced community energy developer to develop pilot projects and navigate the complexities of shared ownership.
- It is likely that ownership of a share of a project would be held in a special purpose vehicle (SPV) whose purpose was to use returns to fund the work of the Communirt Climate Action Hub(s). The constitution of the SPV could cover the eventuality that the Hubs no longer exist by requiring any returns to be invested in similar purposes. Specialist legal advice will be required.

Role of the Hubs

- Local Hubs could work alongside communities to pro-actively approach developers and create shared ownership opportunities.
- The Hubs could leverage the network's strengths by sharing knowledge and opportunities across Hubs to increase portfolio diversity and reduce risk.

Onshore sensitivities and collaboration

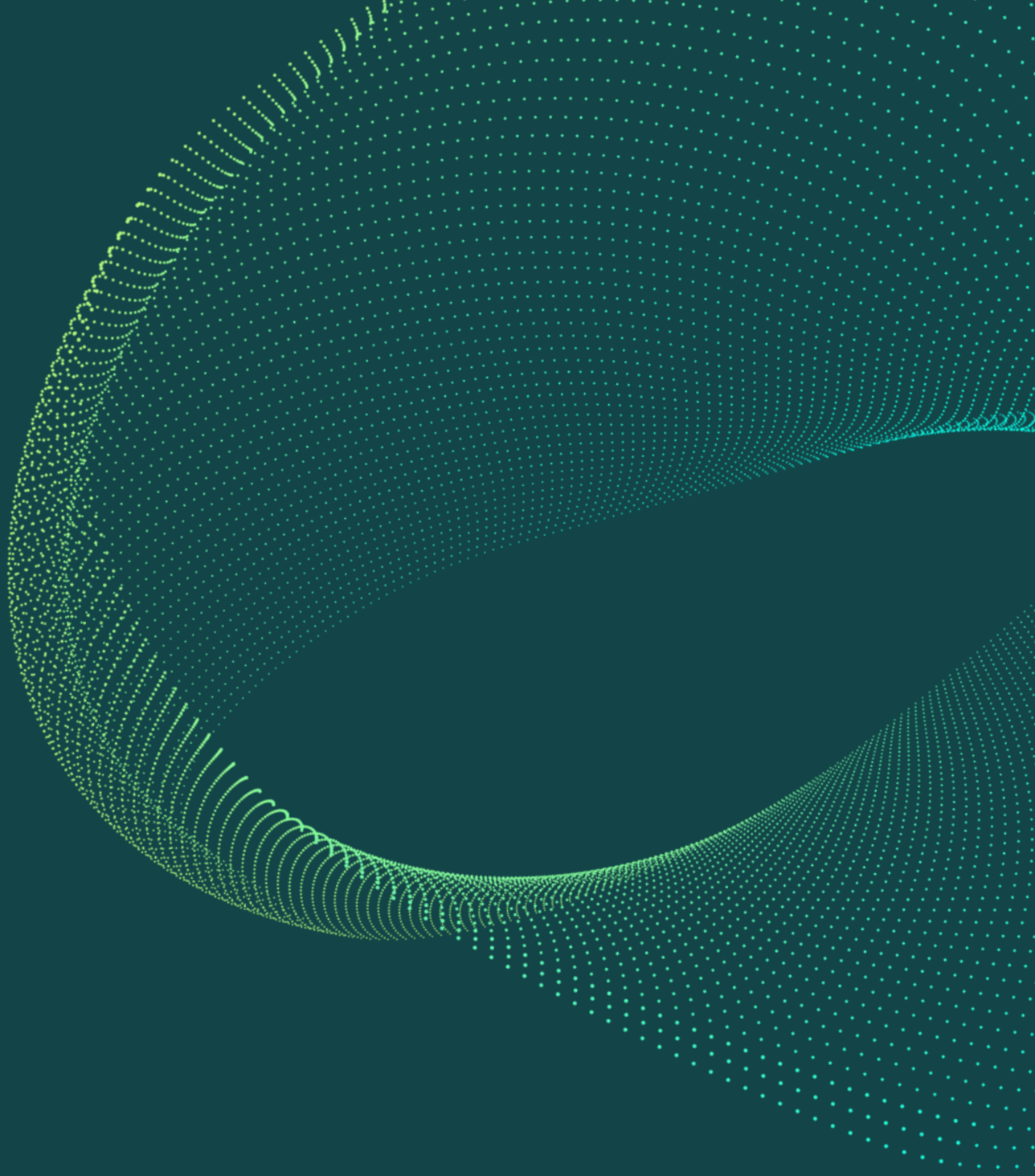
- Climate Hubs should set up regular meetings with support organisations, especially Local Energy Scotland, to coordinate efforts to support communities in pursuing shared ownership opportunities.
- Climate Hubs should contact Forestry and Land Scotland to discuss potential collaboration.

Modelling of financial returns

- Returns from renewable generation projects have reduced with lower subsidies and higher costs. Returns also tend to be low in the first few years as loans are paid down. The Hubs will need to carefully assess the returns they might expect to receive on specific projects.
- Hubs will need the expertise to negotiate hard on the project's valuation at the point of purchase, seek the lowest possible interest rate on any debt, and fully understand the risks of investing in renewable energy projects. This means working with an expert community development partner and expert advisors.

Community benefit funds

- Work alongside Foundation Scotland and other community benefit administering bodies in local areas to access suitable funding to support specific projects.
- Feed in to refresh of the Good Practice Principles, advocating for the potential role of the Community Climate Action Hubs in receiving community benefit funding from offshore wind projects.



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