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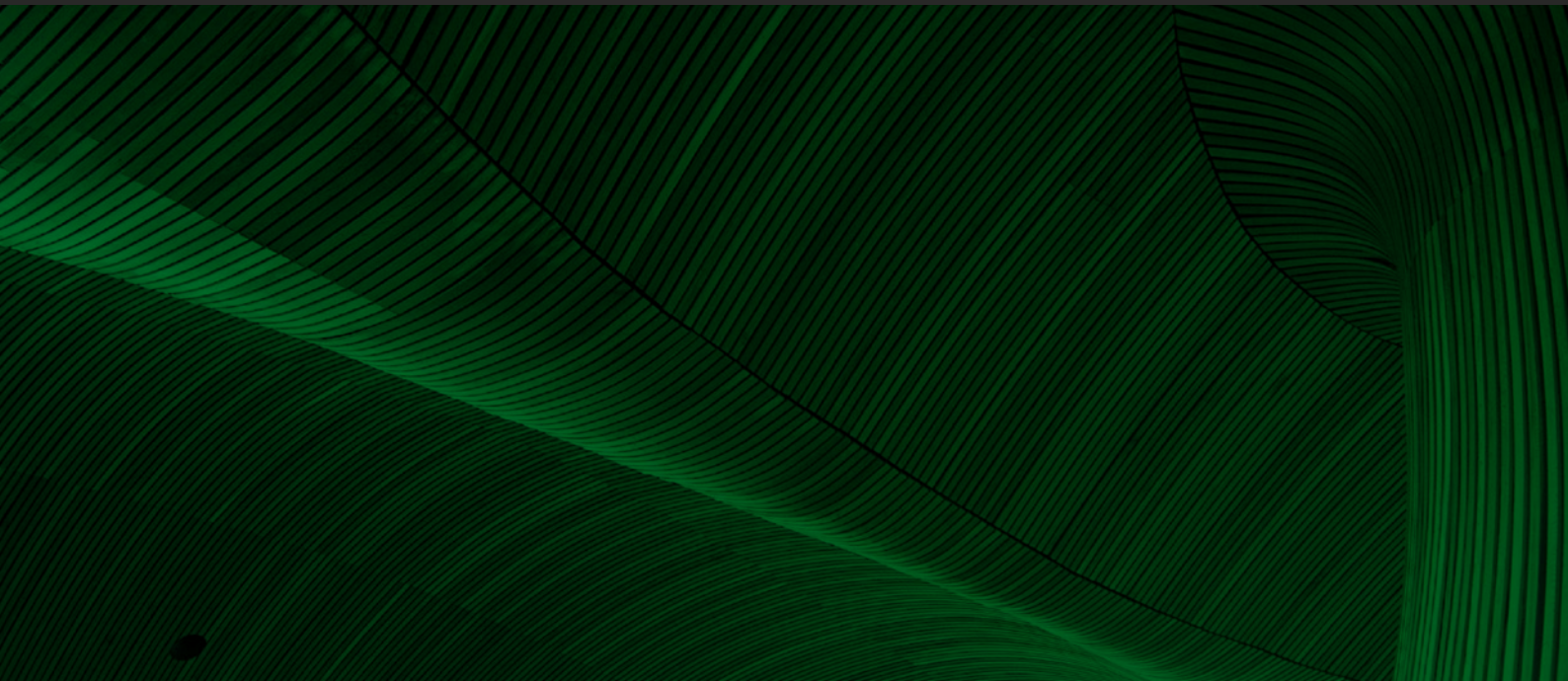


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Image: Elijah Thomas

Sharing power, spreading wealth: Towards an equitable energy transition for Wales





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About the IWA

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Executive Summary & Recommendations

The paper calls for the Welsh Government to set terms of engagement with the commercial renewable energy sector, ensuring Wales retains greater income from the renewable energy developments it hosts. While the Welsh Government is committed to decarbonising the energy sector and has set ambitious targets of renewable energy generation, we identify a lack of strategic dialogue on how to ensure this transition results in tangible and fair outcomes for communities.

The legacy of previous industrial revolutions in Wales has too often been marked by a significant level of extraction of resources and wealth, with little sustainable long term economic impact. Accordingly, we make recommendations on how communities across Wales can retain enhanced economic and social benefits from the growing commercial renewables sector. Now is a moment of opportunity to reassess the current economic impact of renewable energy projects within Welsh communities and explore ways to ensure Wales retains a fairer share of the income generated through commercial renewable energy developments. As investment in renewable energy infrastructure projects must increase in coming years in order to meet decarbonisation targets, it is crucial to consider how as a nation, Wales retains such investment and redistributes income to grow our economy.

The report explores current Welsh Government targets for shared and local ownership of renewable projects and identifies limitations in the definition and implementation of local and shared ownership policies. We call for clearer direction to commercial developers and exploration of mandating local and community ownership within commercial energy projects for a more equitable distribution of benefits. The report also examines the current provision of Community Benefit Funds (CBFs) within the renewable energy sector and their impact within host communities and makes several recommendations that would increase higher and more even CBF rates and strengthen the positive impact, accountability and governance arrangements of CBFs for communities.

The paper provides examples of policy measures that would support and enable communities and developers to work together more effectively, ensuring community needs are understood and CBFs are utilised to best effect. Beyond the provision of CBFs, we consider more novel approaches for Wales to retain greater income from renewables projects. Examining international case studies, the paper explores different mechanisms other nations have taken to ensure greater income is retained via increased community ownership.

Overall, we argue that to ensure an equitable transition, policies must prioritise measures to retain the income generated from the renewables sector within communities that host energy projects and achieve lasting impact, particularly within economically disadvantaged areas. Whether through mandating CBFs and providing clear policy guidance to achieve maximised community engagement and impact or exploring greater levels of community ownership of energy projects, we must see greater policy from the Welsh Government in this space.

Recommendations:

Recommendation 1:

Re-powering communities: reforming community benefit funding. In order to retain greater economic impact and income from renewable energy projects within Welsh communities, the Welsh Government should outline clear policy and good practice guidance for the provision of CBFs from renewable energy projects to support both developers and communities in achieving greater economic impact of CBFs. In doing so the Welsh Government should:

- Re-establish a community benefits register and map
- Define CBFs as a form of economic redistribution of income accruing from Wales' natural resources back to Welsh communities
- Mandate a base level of CBF provision of £8,000 per Megawatt (MW) of installed capacity for all projects above 5MW across onshore and offshore wind and explore a base rate for solar developments to ensure a fairer and more even provision across communities
- Consider top slicing and aggregating a portion of funding from onshore and offshore wind developments over 25MW, used for wider community development and climate adaptation
- Ensure fairer CBFs by exploring an additional annual bonus measure that reflects and redistributes a share of at least 10% of annual net revenue from projects
- Establish best practice principles, informed by communities and industry to guide the provision of CBFs within communities across a number of renewable energy technologies. Such policy guidance should ensure annual economic and social impact assessments and monitoring are undertaken to monitor and ensure long term impact can be realised, particularly on CBFs of a significant scale
- Establish a Community Benefits Toolkit and fund a CBF support scheme, learning from the Scottish Government's CARES scheme, funded through Local Energy Scotland. A Toolkit and free expert guidance for communities and developers would enable both partners to build stronger, evidence-based CBFs with greater accountability, capacity building, and trust while achieving greater impact. This could be funded and delivered through the Welsh Government Energy Service or Community Energy Wales.

Recommendation 2:

Establish best practice through Trydan Gwyrdd Cymru, ensuring a minimum of 30% of community ownership on their future developments to maximise retaining income and increased economic impact for communities. As The Welsh Government formalise the role of Trydan Gwyrdd Cymru they should explore the possibility of community ownership where possible. Where projects may be a private/public partnership, jointly developed with a commercial developer the Welsh Government must ensure the developer provides best practice CBFs.

Recommendation 3:

Accelerate community ownership on commercial projects, by compelling all new commercial renewable projects above 5MW to have a minimum level of 15% of community and local ownership by 2028. The Welsh Government should learn from the Danish Government's example and establish policy to retain the benefits in Wales and ensure communities have a stake within local energy generation. The Welsh Government should work with developers to explore and offer a range of community-ownership models, reducing upfront financial barriers that may currently limit economically disadvantaged communities from community ownership.

Recommendation 4:

Re-investment for future generations, The Welsh Government should establish a Wales Wealth Fund, reinvesting income from renewable energy projects for the long-term benefits of future generations. The fund would capture 'sovereign wealth fund Payments' of at least 15% of net revenues made from future large scale onshore and offshore wind projects with an installed capacity over 50 MW in Wales, alongside a CBF for the local community.

- As a first step The Senedd Climate Change Committee should explore how to finance this. Alternatively, the committee could explore setting higher Business Rates for all commercial renewable energy projects across Wales over 50MW and retain these in a Wales Wealth Fund. Profits generated from the Welsh Government's newly established Trydan Gwyrdd Cymru should also be retained in the fund.

Introduction

The need for Wales to meet its net zero targets and tackle the climate emergency is clear for all to see, with successive years of devastating flooding that brought destruction to homes and businesses¹, and has led to an increased risk of coal tip collapse across Wales.² Furthermore, Welsh Government are legally mandated to reach net zero by 2050³. Given the ongoing impacts of the climate emergency, the transition to alternative sustainable and renewable sources of energy will be vital for Wales to reach net zero by 2050. We must acknowledge the scale of the crisis and respond with the urgency required whilst simultaneously ensuring that the transition away from a carbon-intensive economy is just and benefits communities across Wales. Indeed, the transition to renewable energy sources presents many opportunities for a new, fairer and more circular energy system and a decarbonised economy.

The Welsh Government's ambitious target of achieving the equivalent of 100% of electricity generation from renewable sources by 2035⁴ alongside the UK government's target of net zero carbon emissions by 2050 shows a commitment to tackle the issue.⁵ However, unlike other European nations, with a non-nationalised energy sector, the private sector plays a crucial role in realising such targets, with the most recent data showing 96 Megawatts (MW) of renewable electricity capacity was installed in Wales in 2022, the vast majority of which was private investment.⁶ With clear targets from both the UK and Welsh Government's and planned investment in renewable energy set to drastically increase over the next decade, the question is no longer about *if* we can decarbonise the energy sector but *how* we decarbonise.

Far less evident is a national, strategic conversation on how the Welsh Government and communities in Wales can work collaboratively with the private sector to retain the income provided by this renewable energy transition. In doing so ensuring that economic and social benefits of renewable schemes are spread across communities, as part of an equitable and just transition to net zero. We must ensure that the race to meet net zero does not lead to an extractive green economy, that delivers little for local communities and mirrors the mistakes of previous industrial revolutions in Wales. While it is beyond the scope of this paper to explore this issue at full length, we also acknowledge that the current renewable energy sector is repeating colonial practices of extraction and human rights abuses in the Global South and must also be considered within work that explores a just transition. Currently, the Welsh economy does not retain enough income from renewable energy generation. Due to the privatisation of the UK energy system (the gas sector in 1986 and electricity sector in 1990), the majority of renewable energy development and generation in Wales is privately owned. Therefore, a significant proportion of the wealth generated utilising Wales' natural resources flows elsewhere and

1 [Nation.Cymru \(2023\), 'Flooding in Wales: Can it get any worse?'](#)

2 [Senedd Research \(2021\), 'What's being done about coal tip safety and how will the work be funded?'](#)

3 [UK Climate Change Committee, 'A legal duty to act'](#)

4 [Welsh Government \(2023\), 'Wales aims to meet 100% of its electricity needs from renewable sources by 2035'](#)

5 [House of Commons Library \(2023\), 'Government policy on reaching Net Zero by 2050'](#)

6 [Welsh Government, 'Energy Generation in Wales 2022'](#)

benefits other governments via their own publicly owned energy companies operating in Wales. Nonetheless, without significantly more political autonomy and financial resource, we cannot decarbonise the Welsh energy sector without the private renewables sector. However, we can set the terms of value exchange to ensure Wales retains greater wealth and strengthens the Welsh economy for future generations.

The nationalisation of energy in the UK or in Wales remains unlikely with neither of the two leading UK political parties supporting this scenario, and remains outside of the Senedd's fiscal capacity and reserved powers model. With this as an unlikely option, which has delivered results for other European nations, we aim to explore how the Welsh Government can work effectively with the private sector to tackle climate change while retaining more renewable energy income, ensuring an equitable climate transition that acts to boost the Welsh economy.

Whilst the Independent Commission on the Constitutional Future of Wales highlights the need for further exploration on how the current devolution settlement sets up Wales to deliver on its energy aspirations, we are exploring how to ensure the current system works best for communities in Wales, whilst making the nation an attractive market for investment which will be a crucial factor in the decade ahead, where activity must necessarily accelerate at pace.⁷

At a time described as the 'toughest' financial position since devolution⁸, Welsh Government still faces significant economic challenges, having already made £600 million in-year budget cuts in October 2023.⁹ The ongoing cost-of-living crisis, and the energy crisis that impact on community cohesion and living standards are pressing issues for the Welsh economy. With a number of local authorities in Wales warning of bankruptcy risks,¹⁰ significant cuts to public service delivery, sustained regional economic inequality, high poverty rates and low productivity, the economic forecast is bleak and stuck in a decades-long malaise.¹¹

Wales has limited fiscal powers and a small tax base with few obvious levers for transformative fiscal change. As the IWA has established in our *Fiscal Firepower* report, the ability for the Welsh Government to undertake economically transformative projects is constricted by limited borrowing powers, a budget pre-allocated to service delivery and annual budgetary timetables.¹² This all combines to form a system that acts to lock Wales into lower levels of economic development than wealthier parts of the UK.

The Net Zero transition is likely to see significant growth in sectors such as renewable energy generation.¹³ In this context, the incoming glut of private sector investment in renewable energy, which seeks to utilise the nation's natural resources, presents a timely opportunity to utilise such

7 [Welsh Government \(2024\), *Final Report of The Independent Commission on the Constitutional Future of Wales*.](#)

8 [ITV News \(2023\), 'Mark Drakeford to make cuts to Welsh public services over inflation and public sector pay'.](#)

9 [Guardian \(2023\), 'Welsh government will cut budgets to maintain health and rail services'.](#)

10 [Wales Fiscal Analysis \(2023\), 'The medium-term fiscal outlook for local government in Wales'.](#)

11 [BBC News \(2023\), 'Welsh councils could face bankruptcy, leaders warn'.](#)

12 [Institute of Welsh Affairs \(2022\), *Fiscal Firepower: Effective Policy Making in Wales*.](#)

13 [Welsh Government \(2023\), 'Net Zero Sect'.](#)

investment to unleash wider social and economic benefits for Welsh communities. From the potential impact of CBFs associated with onshore renewables projects to new policies to retain greater wealth, the time is now for Wales to set the terms of exchange with industry to ensure accelerated renewable energy development and the decarbonisation of Wales' economy whilst retaining greater economic and social benefits. Wales must utilise the nation's natural resources, but do so on its own terms.

As such, there is an opportunity to utilise the future benefits flowing from large-scale, commercially owned projects and invest them in ways that leave communities more resilient. For Wales to achieve inclusive and just green growth from the emerging renewables transition the Welsh Government must reconsider its approach to CBFs and wider policies that redistribute profits from energy projects. Giving communities a vision for renewable energy that they can have a stake in is crucial. All layers of government in Wales have an opportunity to strengthen their communities as a result of investment in renewable infrastructure, but without decisive action and guidance in this sector, there is a risk that these opportunities will be missed replicating energy transitions of decades past.

This paper intends to help avoid this outcome. We aim to spark a conversation on Wales' ability to retain wealth from the energy transition to net zero, and to clearly articulate recommendations to release and redistribute economic benefits within communities.

Research methods used were primarily interviews with stakeholders from the private renewables sector, fund managers, the Welsh and Scottish Governments, the community energy sector, third sector charities, economists and communities. Alongside these, questionnaires were sent to a number of energy developers and community members. We also submitted Freedom of Information requests to all local authorities in Wales and the Welsh Government to gain a greater understanding of current provision and arrangements to manage CBFs.

What types of projects Wales wants to consent to is an important consideration not simply based on impact and scale. Projects that deliver substantial community benefits, a return of ownership to local residents, developers who understand and deliver social value and create lasting sustainable socioeconomic impact locally should be prioritised. We can meet net zero and develop at pace while transitioning in an equitable way. Effectively redistributing wealth within communities ensures no one is left behind on the journey to net zero and helps to foster behaviour change towards renewable infrastructure by reducing delays and local opposition.

Our previous work, *Re-Energising Wales* was instrumental in displaying how Wales could achieve 100% renewable energy by 2035.¹⁴ Having shown how Wales could get there, this paper, supported by core funding from the Friends Provident Foundation, aims to kick-start another national conversation on how the Welsh Government can work with the private sector to deliver meaningful economic impact to communities that host renewable energy projects.

Examining existing funding models and exploring case studies from further afield, we aim to show that Wales can retain greater wealth without detracting investment or reducing developer confidence in the Welsh market. As part of this research, the IWA interviewed a number of representatives of developers active in Wales. In their majority, interviewees welcomed the need for greater transparency and guidance on CBFs from the Welsh Government and aimed to achieve a positive lasting impact in host communities alongside their projects. The current lack of transparency regarding CBFs means that the Welsh Government, local authorities and, importantly, communities across Wales are missing out on retaining greater socioeconomic benefits from the energy transformation.

Currently, Wales runs the risk of not delivering a truly just transition. The Welsh Government has stated a commitment to be more interventionist in the renewables space with plans to establish a publicly-owned renewable energy developer. While we welcome such commitments, policy could go further and faster. In this paper, we identify the potential to unlock the power of CBFs across Wales, which remains underexplored. We build on our previous work in *Re-energising Wales* and believe now is the opportune moment to kickstart a conversation on how Wales can retain wealth from the renewable energy transition. We aim to raise Wales' ambition to set the terms of exchange with the sector and establish policy objectives that enable Welsh communities to meaningfully benefit from the transition to net zero.



Community benefit funds and social justice

‘We are also determined that the growth in renewables we are calling for benefits communities across Wales. Our communities must not just ‘have a say’ in projects, they must be active stakeholders - reaping the benefits from the transition to renewables. We must not just have to accept developments within our communities, but be able to embrace them knowing they will contribute to a cleaner, more sustainable future for the next generation’

Senedd’s Climate Change, Environment, and Infrastructure Committee¹⁵

Within the onshore renewable energy sector, it has become increasingly common for renewable energy projects to make voluntary financial payments to local communities that host infrastructure, particularly for onshore wind. These arrangements most commonly take the form of CBFs which are separate from economic benefits such as local employment and supply chain contracts. Similar approaches are now extending to other forms of energy development, notably offshore wind, solar PV and new nuclear power builds. While the motivation, function, impact and limitations of CBFs are analysed in depth at a later stage in this report, here we explore wider arguments supporting the economic redistribution of profits from renewables developments to host communities. Whether in the form of strengthened CBFs or new policy initiatives, retaining greater benefit for communities that host renewable energy projects is seen as a form of redistributive economics and justice.

When considering the benefits resulting from renewable energy provision, many take a global outlook and acknowledge a principal benefit is our collective ability to tackle the climate emergency and avoid climate breakdown. However, ensuring that our transition to net zero is just and equitable remains a key concern. At the local level, communities that host renewable energy projects also want to feel benefits to themselves and their community. When we consider how Wales can deliver a just transition, these concerns are crucial. A just transition does not only entail the provision of retraining and green jobs but ensures the energy transition itself is equitable and redistributes benefits.

It is important to note that local opposition and concern regarding renewable energy infrastructure occurs for a number of reasons, but is not a key constraint holding back the rollout of renewable energy developments. Weak grid infrastructure, planning delays and national policy at a UK level

have been noted by industry as constraints impacting deployment and construction of renewable energy.¹⁶ Furthermore, public opinion and local concerns should not be perceived as a barrier: rather, developers should ask themselves how to earn communities' trust through effective engagement and the co-production of projects.

Renewable energy resources, such as wind, sunlight, and water, can be considered part of what is known as "the commons." This concept refers to resources that are accessible to all, even if they are owned publicly or privately. Therefore, when discussing renewable energy and the commons, the emphasis is on the shared ownership and responsibility for these resources, as well as the equitable distribution of the benefits derived from their use. This understanding underscores the importance of sustainable management and use of renewable energy sources for the benefit of present and future generations. Wales' geography and topography, both on land and offshore, offer plentiful opportunities for renewable energy development. If we grasp such opportunities, Wales can meet its domestic energy needs producing clean power while ensuring we secure and maximise long term benefits for local communities. Therefore, important questions arise regarding how we set the terms of exchange with the private sector in Wales.

As the private sector is invited to access Wales' collective 'commons', shared natural resources, what do the public ask of the sector in return? While the provision of renewable energy is, undoubtedly, a benefit, much of the profits leave Wales. It is reasonable and essential to raise Wales' ambition in this sector and acknowledge that we can and must set the terms of exchange with the private sector to ensure the transition is not extractive but delivers benefits across Wales. For the transition to be truly just, communities should benefit from the use and extraction of their local resources, ensuring the fair economic redistribution of wealth generated. Whether via the provision of CBFs or new policy initiatives, efforts to redistribute benefits to communities should be seen as an integral part of the just transition and not simply seen as a mechanism to foster acceptance of a scheme and limit delays.

The case of former coalfield communities

Wealth redistribution is particularly important where renewable energy infrastructure is located in economically disadvantaged and less resilient communities. Traditionally, the development of onshore wind and solar infrastructure is not evenly spread across Wales and has largely operated in places already adversely affected by the fossil fuel industry. Onshore wind energy particularly has been developed in areas impacted by prior environmentally damaging industrial activity. This is largely because previously industrialised areas tend to have better infrastructure, such as existing grid capacity and access roads¹⁷. Andrew Blowers and Pieter Leroy (1994) warn that this can lead to a belief that some economically disadvantaged communities suffer the local costs of hosting energy infrastructure, while areas highly valued for 'natural beauty' or recreation (of the affluent) are protected, and consequent feelings of unfairness can endure over time.¹⁸

16 [UK Parliament \(2022\), 'Significant threat to economic growth in Wales unless grid constraints for renewables are resolved, warn MPs'](#)

17 [Joseph Rowntree Foundation \(2012\), 'Wind energy and justice for disadvantaged communities'](#)

18 [A. Blowers and P. Leroy \(1994\), 'Power, politics and environmental inequality: a theoretical and empirical analysis of "peripheralisation"', *Environmental Politics* 3, 197–228.](#)

The impacts of renewable energy projects differ across technology. Notably, wind energy has very few irreversible environmental impacts. Despite this, the perception of projects as ‘negative’ or ‘positive’ differ within society. However, developers acknowledge that renewable energy projects do, to varying degrees, impact local communities. With the development of renewables projects often taking place near disadvantaged communities in Wales, there is a risk that people may observe changing local landscapes but little local benefit to their community. Cowell et al (2012) highlight that this may lead to a concentration of impacts on those living closest to such facilities. Where this happens in areas of economic disadvantage and inequality, they argue that the provision of CBFs is a matter of justice: a means of redressing the impacts on communities adversely affected by wind farms.¹⁹

This is particularly evident in Wales where many of the existing and planned renewable energy infrastructure developments are within former coalfield communities. As The Coalfields Regeneration Trust (CRT) outlines, much of the proposed renewables projects in Wales are noted as developments of national significance (DNS) due to their scale. Of these, fourteen (54%) wind farm proposals and sixteen (44%) solar farms at various stages of development are located within the heart of the South Wales Valleys, which remains one of the most deprived areas in the UK.²⁰ These regions are emerging from traditionally fossil fuel based industries into a renewable energy future whereby CBFs or wider efforts to retain wealth from local commercial energy projects have the potential to build economic resilience and impact inequality.

Analysing social and political attitudes in former coal mining communities in the UK, Calvin Jones and Maria Abreu (2021) found that residents were highly politically disengaged, with low levels of trust and political efficacy, a belief in one’s ability to effect change, when compared to socio-economic counterparts elsewhere.²¹ In addition, scepticism towards climate change was slightly higher and residents were more likely to believe that ‘public officials don’t care’ in ex-mining areas.²² There is a need to acknowledge that such social and political attitudes exist in Wales’ former coalfield communities and may underpin negative perceptions of renewables developments and local concern. Therefore, rather than to dismiss these communities’ concerns out of hand, we argue that this scepticism increases the need for redistributive methods to have genuine impact, restoring trust and enabling engagement with the climate transition, while contributing to a Wales of cohesive communities (an aim underpinned by the Wellbeing of Future Generations Act).²³

Analysis has found that prevailing socio-economic conditions affect perceptions of new energy technologies.²⁴ While residents of disadvantaged communities display a support for renewable energy, some residents believe that few tangible benefits accrue in terms of local employment,

19 [A. Blowers and P. Leroy \(1994\), 'Power, politics and environmental inequality: a theoretical and empirical analysis of "peripheralisation"', *Environmental Politics* 3, 197–228.](#)

20 [Coalfields Regeneration Trust \(Wales\) \(2023\), 'Developments of National Significance Community Benefit Opportunities in South Wales Coalfield Areas'.](#)

21 [C. Jones and M. Abreu \(2021\), 'The shadow of the Pithead: Understanding social and political attitudes in former coal mining communities in the UK', *Applied Geography*, 131.](#)

22 [C. Jones and M. Abreu \(2021\), 'The shadow of the Pithead: Understanding social and political attitudes in former coal mining communities in the UK', *Applied Geography*, 131.](#)

23 [Future Generations Commissioner for Wales, 'The Well-being of Future Generations \(Wales\) Act'.](#)

24 [D. Llewellyn et al \(2017\), 'Evolving energy landscapes in the South Wales Valleys: Exploring community perception and participation', *Energy Policy*, Vol.108, 818-828.](#)

financial gain, or energy supply and that profits largely flow elsewhere.²⁵ Aside from income generated by local landowners or farmers through land rents, the economic impact to communities who host commercial renewable energy projects are modest. In their survey of several UK onshore wind projects, Richard Cowell, Gillian Bristow and Max Munday concluded that these projects had, in fact, resulted in few construction, manufacturing, operational and maintenance jobs, and that employment opportunities generated locally remained low.²⁶ Thus, the general concern among communities in Wales that the renewables sector might replicate the extractive approach of the mining companies that dominated Wales' industrial past, delivering little economic or social benefit, appears to be partly justified.²⁷

Thus, perceptions of equity and justice matter, as do local concerns, and should be understood within their prevailing socio-economic context. Cowell et al. (2012) urged for large energy infrastructure projects situated in or close to deprived communities to deliver benefits more fundamentally to engender greater resilience.²⁸ While we decarbonise the Welsh grid (and economy more widely) we must do so in a way that is socially just. The provision of community benefits and wider policy levers to redistribute wealth do inevitably help to foster wider acceptance of renewable energy infrastructure, but this is not an end in itself. Wealth redistribution should primarily be perceived as a key aspect of the just transition and as a way to build resilience and grow the Welsh economy as well as act to support the foundational economy.



25 [Joseph Rowntree Foundation \(2012\), 'Wind energy and justice for disadvantaged communities'](#).

26 [M. Munday et al \(2011\), 'Wind farms in rural areas: how far do community benefits from wind farms represent a local economic development opportunity?' *Journal of Rural Studies*, 27, 1–12.](#)

27 [M. Rohse et al \(2020\), 'Towards an emotional energy geography: Attending to emotions and affects in a former coal mining community in South Wales, UK', *Geoforum*, Vol. 110, pp. 136–146.](#)

28 [Joseph Rowntree Foundation \(2012\), *Wind energy and justice for disadvantaged communities*.](#)

Exploring models of energy ownership in Wales

Publicly Owned Generation: Ynni Cymru and Trydan Gwyrdd Cymru

Concern among elected officials, third sector organisations and local residents regarding a potential repeat of the extraction of Wales's natural resources has been apparent in recent years. To rectify this, the Welsh Government has turned to the creation of state-owned renewable energy provision, with targets for local, shared and community ownership.²⁹ Such policy objectives are a welcome and much needed solution to retain greater benefits for the people of Wales. The Welsh Government recently established Ynni Cymru, a publicly-owned energy company to further community-owned projects across Wales, and Trydan Gwyrdd Cymru, a publicly-owned renewable energy developer.³⁰ When announcing the creation of Ynni Cymru, Climate Change Minister Julie James, stated the commercial energy sector 'has not been retaining sufficient benefit in Wales' and community energy was an effective way to keep the benefits within communities.³¹ Such developments were an acknowledgement that private sector renewables developments in Wales are to some degree extractive of wealth.

'The current market-based approach to the energy system is not delivering decarbonisation at the scale or pace necessary for the climate emergency and has not been retaining sufficient benefit in Wales'

Julie James, Climate Change Minister 7/8/2023

However, we await further details on the level of ownership the Welsh Government will have. We currently do not know if the Welsh Government will own generation on the Welsh public estate or if they will play a role in enabling and directing developers to deliver jointly owned public/private projects. Trydan Gwyrdd Cymru will likely not be responsible for, nor own, all new renewable energy developments and Wales will still rely on a large level of commercial renewable development. Therefore, the IWA's current stance is that Trydan Gwyrdd Cymru will likely only take Wales so far in retaining further benefits, particularly given the current prevalence of private companies in renewable developments. Far less evident is a national, strategic conversation on how Wales can work *with* the private sector to retain further economic and social benefit for communities, as part of the just transition to net zero.

29 [Welsh Government \(2023\), 'Written Statement: Update on Trydan Gwyrdd Cymru'](#).

30 [Welsh Government \(2023\), 'Ynni Cymru will unlock Wales' green energy potential'](#).

31 [Welsh Government \(2023\), 'Ynni Cymru will unlock Wales' green energy potential'](#).

Shared, Local and Community ownership

Local ownership policy

Welsh Government has recognised the economic, social and environmental benefits that locally and community owned renewable energy projects can achieve by setting a target for 1 gigawatt (GW) of renewable electricity capacity in Wales to be locally owned by 2030 and previously set an expectation for all new energy projects in Wales to have at least an element of local ownership from 2020.³² This policy statement re-enforces the need for developers to work with the communities hosting renewable energy projects to ensure they retain the benefit from generation in Wales. The Welsh Government acknowledges that increasing local ownership forms an important part of Welsh Government policy on increasing the retention of local economic benefit from energy projects, 'but it is not intended to require developers to put projects at risk, or to diminish the ability to address net zero by 2050'.³³ They define 'local ownership' as energy installations, 'located in Wales, which are owned by one or more individuals or organisations wholly owned and based in Wales, or organisations whose principal headquarters are located in Wales'.³⁴ The Welsh government has set a target to achieve 1 gigawatt (GW) of locally owned renewable electricity and heat capacity in Wales by 2030.

Indeed, while the Welsh Government's policy on local ownership is welcome, its definition is limiting. Given the economic makeup of Wales' population, many people across Wales's more disadvantaged communities, those who ultimately could benefit substantially from local and community ownership of energy, would likely be unable to afford the upfront costs associated with such developments. Furthermore, the inclusion of 'organisations whose principal headquarters are located in Wales' to be defined as 'local owners' could act to allow for renewables developers to establish themselves in Wales while profits could flow to owners who are neither local or Welsh. It seems there are limitations to the degree to which local and shared ownership policy delivers redistribution and retention of economic prosperity for local ordinary people and may currently provide an investment opportunity for those most resourced. Similarly, the Welsh Government's definition on community ownership must reflect where the wealth flows to with efforts to ensure economically disadvantaged communities are supported to engage in community ownership of energy.

Shared ownership policy

The Welsh Government defines 'shared ownership' as a project owned by more than one legal entity. Examples exist where the ownership of a project is shared between a developer and a community group, individuals, landowners, or a public sector organisation. Shared ownership projects can involve more than one commercial organisation. However, in order to be considered

32 [Welsh Government \(2020\), 'Local ownership of energy generation in Wales – benefitting Wales today and for future generations'.](#)

33 [Welsh Government \(2022\), 'Guidance for developers, local communities & decision-makers Local and shared ownership of energy projects in Wales'.](#)

34 [Welsh Government \(2022\), 'Guidance for developers, local communities & decision-makers Local and shared ownership of energy projects in Wales'.](#)

as a shared ownership project under the target set by the Welsh Government, we would expect one or more of the owning bodies to be in one of the categories included in the definition of 'local ownership'.

Furthermore, Community Energy Wales is resourced to support and facilitate shared ownership, offering a range of services to renewable energy developers to enable them to deliver shared ownership projects and support them to engage the local community.³⁵ The Wales Energy scheme also provides free expert advice to support communities, individuals and developers to deliver shared ownership of their projects.³⁶ Despite this, our work has found that across leading developers there are different approaches to shared and local ownership. When engaging with experts within the community energy sector we heard that some developers have been noted to have worked well with the community energy sector to deliver shared ownership, however, other leading renewable energy developers have not taken the same level of interest in delivering shared or local ownership. Therefore, without mandating an element of local ownership within commercial energy projects, the power remains largely in the hands of developers to decide if they wish to engage and offer shared ownership options.

The Senedd's Climate Change, Environment, and Infrastructure Committee's report in 2022 noted the Welsh Government's position on shared ownership is "not sufficiently clear" and "should provide stronger direction to commercial developers" and develop appropriate policies to "encourage and incentivise shared ownership on new commercial developments of all scales and on existing developments when they are repowered or extended"³⁷. Therefore, there is scope to explore mandating an element of local and community ownership within commercial energy projects, an approach that has been taken in Denmark (a case study we explore below). Currently, the power remains largely in the hands of developers to decide if they wish to negotiate and offer a shared ownership model.

Furthermore, there is a recommendation as part of the Local and Shared Ownership Policy that developers should submit a Collaborative Benefits Report (CBR) to help improve transparency throughout the development process and demonstrates that effort has been made to ensure the project supports wider environmental, social and economic benefits.³⁸ A CBR will include formal commitments to a CBF. However, third sector organisation The Coalfields Regeneration Trust (the CRT) has observed a number of onshore wind energy projects having been submitted and prepared for validation and assessment that have not included a CBR as they are currently not mandatory. Here the CRT suggests the possibility to require developers to provide a rationale for why they are *not* being included.

35 [Community Energy Wales](#).

36 [Welsh Government \(2022\), 'Guidance for developers, local communities & decision-makers Local and shared ownership of energy projects in Wales'](#).

37 [Senedd Wales \(2022\), 'Renewable energy in Wales'](#).

38 [Welsh Government \(2022\), 'Guidance for developers, local communities & decision-makers Local and shared ownership of energy projects in Wales'](#).

The case of community benefit funds

A CBF is a voluntary commitment by the renewable energy developer to pay into a fund which is then made available to finance community projects. It can take the form of a fixed annual sum paid per MW of installed capacity, a variable annual payment linked to profit or electricity output measures, lump-sum payments, or a mixture of these.³⁹ The level of community benefit funding is most commonly calculated in relation to the scale of the project whereby an amount is provided per MW of installed capacity. Not to be confused with wider ‘community benefits’ that typically refer to wider benefits flowing from energy projects such as the provision of low carbon energy, local employment or supply chain opportunities, the funds are separate from wider community benefits. The provision of CBFs differs across renewable energy technologies and is most standardised and originated within onshore wind energy and is becoming more frequently applied within offshore wind.

Within the onshore wind sector, CBFs have increased in use and scale over time, and as development of renewable energy projects in Wales increases the amount of CBFs across Wales in theory should greatly expand. Recent research by the trade body RenewableUK Cymru found that the onshore wind sector in Wales currently delivers £6.5 million annually to local communities that host renewables projects through existing CBF schemes.⁴⁰ With a forecast pipeline in excess of 2.2 GigaWatts of onshore wind, community benefit funding could grow to nearly £20 million annually.⁴¹ Such investment from onshore wind alone presents a significant opportunity for additional funding directly into communities at a time of great economic uncertainty, public sector cuts and high inflation.

Given the potential for the use of CBFs to become more widespread and standardised across renewable and low carbon technologies including offshore wind, Solar PV, nuclear and tidal energy, and as the scale of investment and pipeline delivery of renewable energy projects in Wales grows, we are at a key moment of opportunity to see policy outputs from the Welsh Government that allow Wales to capture such investment. While the scale, delivery and overall socioeconomic impact of CBFs can differ due to various factors explored in this section, they offer a potential for local areas to retain some of the wealth generated within their community and have agency in how such funds are used.

Despite this, there is little Welsh Government policy or guidance relating to CBFs within commercial renewable energy developments in Wales. Currently, the guidance for the provision of CBFs is set by RenewableUK who provide guidance for the industry standard rate of CBFs. Through their updated Community Benefits Protocol the advised industry standard rate for

39 [Senedd Wales \(2022\), 'Renewable energy in Wales'](#).

40 [Renewable UK Cymru \(2023\), 'Onshore Wind in Wales: How our sector works with communities'](#).

41 [Renewable UK Cymru \(2023\), 'Onshore Wind in Wales: How our sector works with communities'](#).

CBFs has gradually increased from £1,000 up to £5,000 per MW installed capacity and was last updated in 2013.⁴² Unlike the Scottish Government who have a number of policies, guidance and support for the provision of CBFs, the Welsh Government largely defer to the trade body RenewablesUK Cymru.

We believe we are at the opportune moment to see policy outputs from the Welsh Government that would enable Wales to capture greater private sector investment through CBFs and allow communities and developers to make greater use of such schemes. This section explores the provision of CBFs in Wales examining their economic impact, and possible limitations while making the case for recommendations that will improve the overall effectiveness of such funds, support both communities and the private sector to achieve greater impact.

The rationale for providing community benefit funds

We firstly consider the rationale for providing CBFs from renewables projects to nearby communities. While well established within the onshore wind sector, across other technologies CBFs are just emerging and can be established for a number of reasons, including:

- **Voluntary gesture of goodwill by developers:** CBFs can emerge as a gesture of goodwill and positive engagement from developers to local people that host infrastructure. In the UK and Wales, CBFs are a well established part of onshore wind energy development, and represent a positive relationship between developers and communities.⁴³ This is often the most common reason for the establishment of CBFs in Wales.
- **Community demand:** CBFs can be established as a response to demands from the community who want to be compensated for impact or believe they should also see a return and redistribution of financial benefits.
- **Statutory conditions or policy imposed by authorities:** CBFs can also be the result of statutory conditions. Rudolph et al note that these are much less common, with only a few authorities imposing regulations which are material considerations in the planning process.⁴⁴ Alternatively, Local Authorities can also enforce their own policy relating to CBFs from energy projects within the authority. For example:
 - In Scotland, there is no legal obligation for developers to offer community benefit, but the Highland Council introduced the most advanced community

42 [Renewable UK \(2013\), 'Onshore Wind: Our Community Commitment'](#).

43 [Renewable UK \(2013\), 'Community Benefits Protocol'](#).

44 [D. Rudolph et al \(2014\), *Community Benefits from Offshore Renewables: Good Practice Review*](#).

policy that guides voluntary contributions from developers and also regulates the distribution of benefit payments from offshore renewables.⁴⁵

- In Wales, Neath Port Talbot County Borough Council established their own policy guidance on CBFs from renewable energy projects. Through the application of a section 106 agreement they have managed to obtain a commitment to CBFs from developers across a range of technologies.⁴⁶



45 [D, Rudolph et al \(2014\), *Community Benefits from Offshore Renewables: Good Practice Review*.](#)

46 [Neath Port Talbot County Borough Council, 'Community Funds Policy Relating To Renewable Energy Generating Developments'](#)

Contribution or compensation? Defining community benefit funds

The role of CBFs and how they are defined can vary greatly. Our research suggests that competing understandings of the role of CBFs exists between governments, developers, and communities and subsequently impacts the resulting scope and delivery of the resulting fund. Through engagement with leading developers in Wales, desk-top research and survey data we have found that there are a number of ways CBFs can be understood:

- **Contribution:** CBFs can be understood as payments by developers looking to make a positive impact and contribute to the local community that are ‘hosting’ the renewable energy project. The funds can provide a way for developers to ‘give back’ to the local community acting as a good neighbour. Developers we interviewed unanimously stated the provision of CBFs were a contribution to the local community, with one developer stating that providing CBFs was “the right thing to do.”⁴⁷
- **Local acceptance:** The provision of a CBF can be perceived as a way of building local support towards the renewable energy project or the individual developer more broadly.⁴⁸ One developer noted that although a CBF may improve attitudes towards developers and their reputation, they do not appear to make a substantial impact on the level of support or opposition for the project. This is likely because CBFs are most often established and benefit communities once projects are constructed and operational. However, the developer noted the potential impact of a positive legacy being left behind that could improve attitudes towards renewable energy projects over the long term or improve the developers reputation if they returned to the wider area to develop new projects.
- **Compensating impact:** CBFs must not be mistaken for legal compensatory payments to mitigate for agreed identified losses. However, the provision of community benefit payments may acknowledge there is an impact to local residents and funds are used to address such impacts. While our research found that developers strongly rejected the use of CBFs as a ‘compensatory’ measure in the legal sense, when explaining how they decide the scope of beneficiary communities, two developers noted that they consider and prioritise the areas most ‘impacted’ by the project during construction and operation.

47 Anonymised developer questionnaire data (2023).

48 R, Cowell (2011), ‘Acceptance, acceptability and environmental justice: the role of community benefits in wind energy development’, *Journal of Environmental Planning and Management*, 54:4, 539-557.

- **Redistributing profits:** Community benefit payments can be understood as a form of economic redistribution, sharing the economic benefits of harnessing a nation's natural resources and assets among local residents as part of a socially just transition.⁴⁹ While this definition is not commonly applied by developers, more recently, Climate Change Minister Julie James alongside other Members of the Senedd have highlighted the redistributive potential of CBFs in Wales.

Our research has found that competing definitions and understandings of CBFs exist and can become blurred. In our survey responses and interviews with developers, overwhelmingly, all developers stated that community benefit funds are best defined and understood as a 'contribution' to the local community that hosts the renewable energy project. Some developers warned against defining CBFs as a compensatory measure mitigating impact. One developer stated, 'From an external perspective, the use of language such as 'compensation' implies a negative impact on a local area as a result of renewable development which is important to avoid'.⁵⁰ Another developer also stated that understanding CBFs as a measure of compensating impact could take the industry into a 'challenging territory' as many of the perceived impacts that could be compensated for, such as the visual impact of wind farms, are subjective.

Furthermore, impacts would need to be defined and measured to calculate an appropriate compensatory level of fund which would likely vary substantially across developments and differ within communities due to individuals' perception of renewable energy, likely leading to a complex and increasingly diverging rates of CBF provision across Wales. Currently, the planning process is used to mitigate the substantial impact of developments to the local area and environment, such as a section 106 planning agreement.

Despite the above, our research shows developers gave conflicting responses. While all developers strongly defined CBFs as a contribution to the local community, when asked how they decide the beneficiary area of the community that can receive funding, a number of developers noted that this was determined based on impact. Here developers acknowledged that developments can at times impact those living nearby due to visual impacts, traffic and possible noise and CBFs were a way of giving something back to the local community for hosting the project. Evidently, our research found that competing definitions of CBFs can become entwined. The majority of developers defined CBFs as a voluntary contribution used to benefit the local community that 'hosts' the project, with some also highlighting the function of addressing impacts. We found that rarely CBFs are understood as a form of economic redistribution to communities which may be linked to the relatively modest scale of funds provided until recently.

49

D, Rudolph et al (2014), *Community Benefits from Offshore Renewables: Good Practice Review*.

50

Anonymised developer questionnaire data (2023).

Scope of beneficiary communities

Diverging definitions of CBFs are important because they influence the way in which recipient ‘communities’ are defined and how funds are established and dispersed. Our findings largely correlate with Rudolph et al and their research into community benefit provision in offshore wind. They find there is a ‘direct relationship between the understanding of benefit; the definition of a community; and the perception of impact.’⁵¹ Differing definitions and understandings of CBFs impacts the identified beneficiary community or geographic area. Our research found that a majority of developers understood their CBF to be a contribution to the local community. Therefore, the majority of developers establish the area based on proximity to the development, engaging in a flexible approach with local residents. Indeed, based on this understanding, having a large beneficiary area may be counterproductive as those nearest to the project should benefit the most as they ‘host’ the development.

In comparison, if a CBF was understood as a form of economic redistribution of profits from the nation's natural resources there would be increased scope for a wider beneficiary area, not based on immediate proximity. Furthermore, if the definition of CBFs is both a contribution to local residents for hosting renewable energy developments while also acknowledging impact, as was the understanding of some developers in our research, then priority zones may be established within a beneficiary area. For example, RWE explained they take a flexible approach that can differ as it is driven by communities and noted a preference to deliver joined up schemes across a larger area to deliver more strategic projects. They have also implemented priority zones to ensure those nearest to a renewable project do not lose out to the wider area but have increased the scope of the beneficiary community.

CBFs are becoming increasingly applied within the offshore wind sector within the UK, particularly in Scotland. These funds can be made available to the coastal communities that host onshore grid infrastructure and can also be administered to a larger geographic area. For example, Gwynt Y Môr offshore wind farm located off the North Wales coast is the fifth largest operating offshore wind farm in the world.⁵² A one off tourism fund of £690,000 was made available during the construction of the development to boost tourism in the wider area. In addition, the Gwynt Y Môr community benefit fund will distribute £19 million over the project's lifetime (of approximately twenty five years) to communities in coastal areas of Conwy, Denbighshire and Flintshire. The fund is flexible in order to meet the needs of communities across the coastal area but focuses on building strong and sustainable communities; developing prosperous communities with strong economic growth; and reducing poverty and inequality in communities.⁵³

The provision of CBFs within the offshore wind sector emerged as the industry and developers decided to extend the positive element of CBFs that onshore wind farms provide and apply this to the offshore sector. The provision of CBFs in offshore wind can therefore be understood as a gesture of goodwill to coastal communities that ‘host’ and to varying degrees are visually

51 D. Rudolph et al (2014), *Community Benefits from Offshore Renewables: Good Practice Review*.

52 RWE, ‘Gwynt y Môr Fund’.

53 *Community and Voluntary Support Conwy, ‘About us’*.

'impacted' by offshore wind on their coastline. While technologies adapt and offshore renewables develop further out to sea given the potential of floating offshore wind, it could be argued that there is no 'host' community for some developments with little to no visual impact. In this way, aside from onshore grid infrastructure, there may be less scope or incentive for developers to provide CBFs to nearby communities based on current definitions and understandings of CBFs as gestures of goodwill to host communities.

Therefore, without policy guidance or best practice principles from the Welsh Government in relation to CBFs across renewable energy technologies, particularly in the newly emerging sector of floating offshore wind, there is potential for Wales' coastal communities to miss out from substantial CBFs. We would encourage the Welsh Government to develop guidance for developers regarding CBF provision, particularly within emerging technologies and grasp the timely opportunity to capture greater private sector investment. The Welsh government should also consider how they would define CBFs and their purpose. Diverging definitions of CBFs matter because they influence the way in which 'communities' are defined and subsequently impact how funds are operationalised. Currently, the approach is not standardised and varies due to such funds being voluntary and largely guided by the developer working with the community to decide the scope of the fund or possible priority zones. We would urge the Welsh Government to define CBFs as a form of economic redistribution of profits accruing from Wales' natural resources back to Welsh communities and encourage funds being used more widely to maximise impact. Where there is no immediate 'local' community due to future floating wind developments operating further out to sea within Welsh waters, there is a reasonable argument to ensure CBFs or their equivalent be captured from commercial energy projects and secured into a Wales Wealth Fund that can redistribute funds across communities more fairly. A call put forward by the IWA in our *Re-energising Wales* report.⁵⁴

Such mechanisms are currently being offered by Welsh renewable energy developer Hiraeth Energy on their proposed IGW floating offshore wind project in the Celtic Sea, Môr Glas. They are currently proposing to invest a share of the profits in a wealth fund for Wales that would support communities in the coming transition to low carbon energy.⁵⁵ This provides a potential mechanism for retaining and redistributing greater wealth from offshore renewable energy projects where a local 'host' community may not be so easily identified.

54 [Institute of Welsh Affairs \(2017\), *Re-energising Wales*.](#)

55 [Hiraeth Energy \(2023\), 'Welsh firm bids to develop a wealth fund for Wales from Celtic Sea wind profits'](#).

Economic benefits from Community Benefit Funds

Renewable energy generation in Wales brings a variety of wider economic benefits associated with the development of projects, alongside CBFs. A 2013 report by RenewableUK Cymru exploring the economic opportunities from Wales' onshore wind sector identified land rents and business rates as two wider economic benefits. Annual land rate payments are negotiated by developers and landowners to access their land for the building of wind farms. Their survey data from 2013 found that average land rent payments across all respondents was £12,000 per MW per annum.⁵⁶ In addition, business rates are paid by developers and operators into the Welsh Government's Non Domestic Rates Pool. These are annually redistributed amongst local authorities as part of the local government revenue settlement.⁵⁷

In terms of securing economic benefit to the wider community, CBFs are the main source of long term local benefit for communities from onshore wind farms. They provide significant potential to secure positive impacts within local areas, however, little is known of their economic impact within Wales. When undertaking our research we set out to explore how much community benefit funding Wales receives from onshore renewable energy projects annually. We found that this information is not currently collected.

As the provision of CBFs by developers is voluntary, there are currently no mechanisms established by the Welsh Government to capture the rate of this private sector investment into Welsh communities. In efforts to obtain some of this data we submitted Freedom of Information requests to the Welsh Government and each Local Authority in Wales given their respective roles in consenting/approving onshore energy projects. However, this data was not held. Many local authorities did not hold any data on CBFs within their authority, while others held data on operational CBFs they were aware of. Some local authorities sought clarification and appeared unfamiliar with CBFs associated with renewable energy developments, this may be due to their urban setting where less development takes place. The most complete data available was collected by RenewableUK Cymru in 2023 and shows the amount of investment the onshore wind sector alone delivers to Welsh communities annually through CBFs is £6.5 million.⁵⁸

The data regarding CBF provision is held at an individual level by each developer. This provides a significant limitation in our ability to ascertain the level, let alone impact, of CBFs in Wales. Without the collating of such data in a Community Benefits Register we cannot know the true scale of current CBF provision in Wales, nor can we understand or analyse what the average rate of CBF provision is. Gathering this information would allow us to understand if CBF rates are meeting or exceeding the industry guidance rate of £5,000 per MW installed capacity for onshore wind or if they are falling below. Without a community benefits register for onshore renewable energy we also do not know what the provision of CBFs is across other renewable technologies.

56 [Renewable UK Cymru \(2013\), 'Economic Opportunities for Wales from Future Onshore Wind Development'](#).

57 [Renewable UK Cymru \(2013\), 'Economic Opportunities for Wales from Future Onshore Wind Development'](#).

58 [Renewable UK Cymru \(2023\), 'Onshore Wind in Wales: How our sector works with communities'](#).

The Welsh Government previously established an economic and community benefits register for onshore wind in 2014 to inform citizens about the value projects brought to Wales. The register collated data on CBFs, job creation, non-domestic rate contributions and other wider benefits such as construction of cycle paths. However, in 2016 following the UK Government's decision to exclude onshore wind developments from the Contracts for Difference regime, the Welsh Government reported that they found it extremely challenging to obtain this information from the sector.⁵⁹ Therefore, without a coherent and comparable data set the Welsh Government could no longer be able to publish annually and the register was drawn to a close.

The Scottish Government operates a community benefits register and interactive map that visualises community benefit funding provision across Scotland.⁶⁰ It was established by the Scottish Government and delivered through Local Energy Scotland. Both developers and communities are strongly encouraged to upload CBF details attached to renewable energy projects on the interactive map. Our research found that while there are limitations with this approach with slight gaps in the data, over time the register and map has become a useful resource for communities. The map details fund spend, and provides ideas and advice for communities looking to ensure their funds are spent wisely and effectively, achieving impact.

Furthermore, civil servants in the Scottish Government have observed that over time the register has shown a gradual increase in the scale of funds provided that now average at £5,000 per MW installed capacity, in line with Scottish Government's Good Practice Principles.⁶¹ Here they suggested that the register has led to increased awareness within communities of varying CBF rates and has, to a degree, led to a more level playing field of community benefit funding provision among developers. According to Kerr et al, these public databases provide third party verification and public recognition of CBF rates⁶² and can also empower communities to understand if they are being offered a fair or below average CBF rate from developers. Therefore, the community benefits register and interactive map have played a useful role in empowering communities to understand CBF rates and negotiate for fairer CBFs for their local communities.

The Welsh Government should re-establish a community benefits register for Wales across onshore and offshore wind and solar projects with scope to expand across other renewable technologies in the future. Key learning from the Scottish Government's approach of encouragement and working with developers to retain information should hopefully allow the Welsh Government to retain greater levels of data. The Welsh Government should strongly encourage developers and communities to utilise the resource and should provide a community benefits map that is publicly available and interactive. The Welsh Government could explore alternative methods to obtain such information from the sector. If CBFs are mandated across all commercial renewable energy projects above 5MW, the Welsh Government should consider a requirement for developers to provide such data as part of their CBF policy guidance.

59 Welsh Government Civil Servant, private email correspondence (2023).

60 [Local Energy Scotland, 'Community Benefits Map'](#).

61 Scottish Government Civil Servant Interview (2023).

62 S. Kerr (2017), 'Understanding community benefit payments from renewable energy development', *Energy Policy*, Volume 105, 2017, pp. 202-211.

Levels of Community Benefit Funding

The level of CBFs administered within onshore wind developments has most commonly been related to the size of the renewable energy project and its projected output. Renewable UK launched their 'Community Benefits Protocol' in 2011 to formalise the industry's approach to CBF provision and subsequently updated the guidance in 2013. Alongside the Scottish Government's 'Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments' and the Welsh Government's backed guidance set with RenewableUK Cymru, all recommend a CBF rate of £5,000 per MegaWatt (MW) of installed capacity. Their guidance stresses flexibility of approach or the provision of equivalent benefits-in-kind, directly to host communities. The rate of £5,000 per MW should also be index linked. There is currently only set guidance for onshore wind with no guidance set by Renewable UK or Renewable UK Cymru for solar energy or offshore wind developments.

Overtime, CBF provision from onshore wind developments have gradually increased in the UK.⁶³ Rates of £5,000 per MW are now more standardised. As outlined previously, the full picture of CBF provision is not known in Wales without a community benefits register and further work is required to quantify the full impact of CBFs across communities. In our surveys with developers we aimed to understand what level of CBF they provide on their onshore wind and solar energy projects. Our results only represent the sample of developers we engaged with and do not reflect all developers operating in Wales.



Onshore wind and Community Benefit Funds

Our survey data results found that all developers reported to aim to provide £5,000 per MW across their onshore wind projects going forward. One developer, Bute Energy stated they aim to give £7,500 across their planned projects in Wales, above the stated guidance rate. Bute are yet to complete development of onshore wind projects in Wales with a number of projects in planning, therefore, they are yet to provide any CBFs to local communities. However, they stated that they believe £7,500 per MW to be the right amount to offer to local communities where they operate. While all developers noted that they aim to give £5,000 per MW, in some cases developers have previously provided higher CBF rates. Our research also uncovered that among leading renewable energy developers, the provision of CBFs has, to a degree, become competitive with developers matching CBF rates which may explain how such voluntary funds have at times increased above the guidance rate of £5,000 per MW.

However, we also found via our use of FOI requests to individual local authorities that some developers were still providing CBFs at rates below £5,000 per MW. In 2022 the Isle of Anglesey Council approved a planning application to extend the lifetime of the onshore Llyn Alaw wind farm for a further ten years. The CBF was originally set at £2,062 per MW in the late 1990's. The extension of the wind farm was granted and the developer increased the CBF rate to £3000 per MW (index lined) in 2022. While the rate increased, the new CBF rate was far below the industry wide guidance of £5,000 set in 2013. Therefore, while gradually CBF rates have increased, the voluntary nature of provision means that levels of CBF can differ between developers, resulting in an unequal provision across communities in Wales. Our research has found a number of examples where CBF rates of £5,000 per MW or above have been ensured on projects in Wales but also examples where rates can fall below this amount.

Where CBF rates in onshore wind projects do exceed the guidance rate of £5,000 per MW we aimed to explore reasons as to why this has occurred. Firstly, the role of Natural Resources Wales (NRW) as a landowner has shown the ability to obtain greater levels of CBF on projects developed on the Welsh Government's Woodland Estate. For example, RWE's Clocaenog wind farm operates on the Welsh Government's Woodland Estate, managed by NRW and provides a CBF of approximately £8,000 per MW, amounting to over £19 million in community funding over the lifetime of the project. As the landowner, NRW negotiated with RWE Renewables UK (RWE) to provide a higher CBF rate, showing the role of landowners, particularly NRW in negotiating higher CBF rates for the local community.

Our research also uncovered the role of local authorities in retaining greater levels of Community benefit funding. As Kerr et al note, local authorities can act as agents on behalf of the community, negotiating with developers to drive expectations regarding the level of payment and can play a role in collecting and distributing CBF payments.⁶⁴ Furthermore, through establishing their own non-statutory guidance in relation to CBF provision for renewable energy projects within their jurisdiction local authorities can influence CBF contributions. For example, in 2011 the Highland Council in Scotland adopted a strong policy position that stated CBF payments should provide

at least £5,000 per MW index linked. Soon after this figure was adopted as a norm, across the UK, by industry as well as national and local government.⁶⁵ In Wales, a number of local authorities have established their own Community Benefit guidance including, the Isle of Anglesey County Council. They established a Community Benefit Contributions Strategy in 2021 which ‘aims to maximise local benefits to support the long-term sustainability, quality of life and wellbeing of the Island and its communities.’⁶⁶

Furthermore, the application of Section 106 (S106) Agreement can also allow local authorities to negotiate and secure greater levels of CBF from commercial developers. A S106 is a legally binding private contract between a developer and a Local Planning Authority that operates alongside a statutory planning permission. Such agreements require developers to carry out specified planning obligations when implementing planning permissions and are the result of negotiations on these matters between the parties. An S106 agreement may be entered into to secure a contribution from a developer to compensate for any loss or damage caused by a development, or to mitigate a development's wider impact.⁶⁷ CBFs have been secured via a S106 to useful effect. While CBF rates have gradually increased over time, the power to shape the form and volume of community benefit provisions lies largely with the developer.⁶⁸ The below example shows that one developer gave greatly diverging rates of CBF across projects within the same time period and shows the ability of local authorities to ensure greater levels of CBF provision:

Case Study: Neath Port Talbot County Borough Council

Neath Port Talbot County Borough Council (NPTCBC) has experienced a significant amount of onshore renewable energy development in recent years. Recent data of renewable energy generation for 2022 shows that Neath Port Talbot has the highest percentage of renewable energy generation (13%) of all local authorities in Wales.⁶⁹ The council has set their own policy that guides their discussions with energy developers looking to operate within the local authority. Their policy aims to ‘ensure that future funds are negotiated and secured in a consistent manner’.⁷⁰ They state that for onshore wind farms they require a CBF rate of £6,000 per MW per annum. NPTCBC have utilised a section 106 to obtain greater CBF commitments from developers. For example, the table below shows that the Welsh developer Pennant Walters has provided CBFs that vary in scale rather substantially.

65 [S. Kerr \(2017\), 'Understanding community benefit payments from renewable energy development', *Energy Policy*, Volume 105, 2017, pp. 202-211.](#)

66 [The Isle of Anglesey County Council \(2021\), 'The Isle Of Anglesey County Council's Community Benefit Contributions Strategy'.](#)

67 [Welsh Parliament \(2015\), *Planning - Section 106 agreements*.](#)

68 [M. Munday et al \(2011\), 'Wind farms in rural areas: how far do community benefits from wind farms represent a local economic development opportunity?', *Journal of Rural Studies*, 27, 1–12.](#)

69 [Welsh Government \(2023\), *Energy Generation in Wales 2022*.](#)

70 [Neath Port Talbot County Borough Council, *Community Funds Policy Relating To Renewable Energy Generating Developments*.](#)

Our research shows that where the local authority in question did not seek a section 106, the developer voluntarily provided a lower level of CBF on projects 'Fforch Nest' and 'Pant Y Wal'. Both projects were operational in 2013 and the annual CBF paid was £60,000 which equates to a CBF rate between approximately £2,250 - £2,400 per MW. However, we find that where the local authority NPTCBC sought a CBF through a section 106, the rate of this fund was substantially larger, with a CBF rate of nearly double at approximately £6,700 per MW (Maesgwyn) and £5,000 per MW (Maesgwyn extension).

Project name	Generating Capacity (MW)	Year operational	Annual amount	Amount per MW	Section 106 sought?
Fforch Nest	27.5 MW	2013	£60,000	£2,250	No
Pant Y Wal	25 MW	2013	£60,000	£2,400	No
Maesgwyn	26 MW	2011	£175,000	£6,700	Yes
Maesgwyn extension	2.5 MW	2017	£12,500	£5,000	Yes

Aggregated data from Pennant Walters projects.⁷¹

This example shows that the power to set CBF rates ultimately lies with the developer. While local authorities can play an important role in obtaining greater CBF levels this can lead to an uneven provision of CBF across communities in Wales. It is evident that given NPTCBC use of CBF guidance and experience in obtaining greater CBF commitments from developers they can ensure more even and fair provision of community benefit funding to the area. However, some local authorities across Wales are less experienced, have therefore not established CBF policy guidance, and potentially lack capacity within their Local Planning Authority (LPA) to focus on CBF provision. Therefore, communities may miss out on capturing higher or fairer rates of CBFs. This could potentially lead to a postcode lottery of CBFs whereby more empowered and experienced local authorities are able to obtain greater CBF levels than others.

Third sector organisation, the CRT have found this in their own work. Engaging with a number of local authorities in South Wales, they noted that levels of understanding and capacity between local authorities and their role in securing larger CBF rates, particularly the understanding around of S106 agreements differed greatly. The CRT note that S106 agreements have previously played an impactful role in ensuring the commitment to provide a CBF are legally protected should an onshore wind farm be constructed by one developer and sold to be operated by a different developer. This is particularly significant given recent events at Ffos Y Fran opencast coal mine where reclamation obligations were not passed onto new operators.⁷² However, the

CRT note that developers do have the right to legally challenge a LPA on their S106 agreement which may be costly and deter local authorities from seeking a S106.

Furthermore, one community energy developer warned that the use of S106 in this way should not be encouraged as there is a blurred understanding on their use within planning relating to obtaining CBFs. Therefore, while S106 agreements have been applied to useful effect, this may not be the most appropriate use of these agreements. Furthermore, we are aware of a S106 agreement having been used by one local authority to force the provision of a CBF from community energy projects. S106 agreements should not be applied in this way and ultimately take away vital funds from the community energy ventures, making these projects less financially viable. As community energy projects are often established as non-profit enterprises and retain and redistribute benefits within the local community, S106 agreements applied in this way are counterproductive and put community projects at risk of delay or failure. Evidently, although S106 can have a positive impact, understanding of the use and application of S106 agreements varies greatly and can come with its own risks and displays a need for clearer policy from the Welsh Government regarding CBF provision and the use of a S106.

The CRT also found that some local authorities were unaware of their ability to negotiate with developers and have been providing crucial support and guidance to local authorities with such discussions. Their recent research has uncovered a number of Welsh developers with projects in planning without any commitment to provide a CBF. Notably, as Welsh developers they are considered as 'local owners'. However, the CRT have been involved raising awareness of this, recently making Blaenau Gwent County Borough Council (BGCBC) aware of a local large scale (25MW) onshore wind farm that is currently in the planning stages with no commitment to a CBF and highlighted the potential loss of significant community investment of around £125,000 annually (if based on the industry guidance rate of £5,000 per MW) here and are supporting BGCBC to engage with this developer and negotiate a commitment to provide a CBF. The CRT note that such discussions have proven difficult with conflicting understanding of CBF provision between LPAs and councillors at local authorities. It is clear that due to different levels of understanding and capacity at local authority level, CBF provision varies across Wales with some local authorities more empowered than others to negotiate with developers.

That there is such a difference in outcomes across Local Authorities in Wales is evidence of a system which is failing to work in the best interests of communities. Communities in Wales are missing out from a lack of awareness of CBF mechanisms as currently constituted.

Obtaining higher levels of funding

Through our research developers were keen to express that the upfront costs of development are sizable. Coupled with the reality that not all projects gain consent, projects often become profitable a number of years into operation. Therefore, developers generally do not commit to specific rates of CBF until more is known about the feasibility and economic certainty of projects. RWE noted that there is a delicate balance of financial pressures, community benefits are a really important factor in the mix, but need to continue to be realistic.⁷³ However, the CRT note that greater transparency and openness from developers is key. Current best practice from developers is to commit to a general rate of CBF provision, for example aiming to give £5,000 per MW on projects and formalise a specific amount when more is known.

Some developers stated that providing over £5,000 per MW could represent a significant strain. Despite this, CBF guidance suggests that developers consider the provision of CBFs within their project costs and allocate a portion of funding to ensure community benefit funding is provided. Furthermore, when required to provide higher rates of CBF, developers have been able and willing. With RWE Renewables UK providing £8,000 per MW on Clocaenog wind farm and Pennant Walters encouraged to pay over £6,000 per MW by NPTCBC, it would appear developers can meet higher rates of CBF when requested to do so. With Bute Energy committing to £7,500 across all planned onshore wind projects, it would appear that there is scope for developers to provide higher levels of CBF on projects.

Due to commercial sensitivity, we do not know the overall profits generated by the commercial wind sector over the lifetime of onshore wind projects. The limited data available shows commercial projects to be profitable. The Ben Aketil 27.6 MW onshore wind farm reported an average net revenue of £3.5 million per annum, and the Allt Dearg 10MW onshore wind farm reported an average net revenue of £1.4 million per annum.⁷⁴ Therefore, it would appear the wind farms show an average net revenue between £126,000 - £140,000 per MW of installed capacity per annum. These examples cannot be taken as a representation of the profitability of the entire sector but show valuable insights into the potential profits of projects. Given this, the current rates of CBFs around £5,000 per MW appear a modest fraction of the profit generated per MW of installed capacity. Furthermore, Renewable UK has not updated their industry guidance rate of £5,000 per MW for over a decade, since 2013. With some developers now offering over £5,000 per MW it would appear that now would be a suitable time to raise industry CBF guidance levels.

There is scope to explore mandating a set level of CBF provision in Wales. Our research has found that levels of CBF provision can diverge across developers and their projects. The power regarding the amount of community benefit funding is largely held by developers despite efforts from local authorities in Wales attempting to obtain greater funding levels. Therefore, mandating a set level of CBF could ease pressure on local authorities and LPA's in Wales and allow for a fairer provision of community benefit funding across communities in Wales. RWE Renewables UK has

73 RWE Questionnaire data (2023).

74 [Aguatera \(2021\), A comparison of the financial benefits arising from private and community owned wind farms](#).

previously stated it would be supportive of ‘mandating’ community benefits of a fixed rate per MW ‘to take it out of the competitive process’, giving more certainty to developers and communities.⁷⁵

The Welsh Government could explore using the planning system to mandate CBFs. In Massachusetts, USA there is a scheme that legally obliges a developer to provide Community Benefits Agreements (CBAs) and have become a decisive component in the planning process for offshore wind farm developments. The introduction of CBAs was borne out of a request to the federal institution Bureau of Ocean Energy Management (BOEM) that communities most impacted by offshore wind farms development receive direct benefits from these projects.⁷⁶ These agreements are legally binding contracts between developers and community organisations and have become integral to Massachusetts' offshore wind planning. The Welsh Government could explore mandating CBFs by reforming the planning system to ensure that the provision of a CBF was a material consideration within planning.

As the Welsh Government is embarking on ‘Trydan Gwyrdd Cymru’, a state owned renewable energy developer, there is a moment of opportunity for the Government to reconsider its approach to CBFs and establish best practice on their own developments. There is potential to follow the current provision of CBF or to look at novel ways to retain wealth. The measure on which CBF rates are calculated is in relation to the installed capacity of projects. Questions remain if this is the most accurate and fair measure on which to quantify community benefit funding? Alternative measures, though less frequently used in the UK, can be based on overall scheme revenues or annual return of a set percentage of profit. A move to such measures would provide communities with a fairer and larger rate of CBF as current rates of funds represent a modest fraction of overall profit. The individual profits generated of wind energy sites in Wales is difficult to assess due to commercial confidentiality but also because profits vary in line with a large amount of external factors and can vary each year.

Research has also found that community owned wind farms far exceed CBF payments compared to private wind farms, providing on average 34 times more in benefit payments.⁷⁷ Looking at data on community benefit value from Awel Co-op: Mynydd y Gwrhyd community wind farm in Neath Port Talbot, it would appear current commercial CBF rates are significantly smaller in comparison. The two turbine 4.7MW community wind farm has generated an annual community benefit value of £43,971 per MW, nine times higher than the commercial industry standard.⁷⁸ It has also brought over £9m of indirect community benefit and additional capital into the area. Such figures cannot be taken as a representative of the onshore wind sector but as a crude gauge they show that there may be potential for CBF levels at £3,000-£5,000 per MW to be increased.

As the current measure of CBF is based on the generating capacity of project, annual increases in profits do not filter back to communities. Therefore, as wider economic and political events such as the ongoing energy crisis that have led to an increase in profits for energy generators and

75 Senedd Wales (2022), ‘Renewable energy in Wales’.

76 D. Rudolph et al (2014), *Community Benefits from Offshore Renewables: Good Practice Review*.

77 Aquatera (2021), *A comparison of the financial benefits arising from private and community owned wind farms*.

78 Awel Co-op (2023), annual CBF rates, disclosed in private email.

a spike in household energy bills, communities do not experience an increase in their annual CBF fund. Therefore, there is scope to reassess the measure used to quantify CBFs to measure that more closely reflects the annual profits of projects, allowing communities to retain a fairer redistribution of wealth from commercial projects locally. This could be explored by ensuring a higher standard rate of CBFs on commercial projects with an added annual measure that would reflect a bonus rate given back to the communities as a return of 10% to 15% of annual or bi-annual profits. There is evidently scope to explore increasing the scale and utilising a fairer measure of community benefit funding ensuring a more even provision across developers by considering mandating CBFs.

Solar energy and Community Benefit Funds

The provision of CBFs across other renewable energy technologies is inconsistent. As outlined, CBFs are becoming more increasingly applied to offshore wind projects but the provision of CBFs within solar energy projects differs greatly. It is acknowledged that different types of development have different levels of cost and subsequently different profit margins and financial returns to the developer. For instance, wind farms are one of the cheapest forms of renewable energy and are more profitable than solar farms with significantly different impacts.⁷⁹ One developer noted this as a reason for the different provision of CBFs across technologies. In our surveys we wanted to understand the rates of CBFs developers provided on different technologies.

On solar projects we found that rates varied substantially. From desk based research it is evident that there are a number of solar developments without any CBF or payment to the community. Alternatively, it can be standard practice to provide a one-off payment. Our survey showed that some developers explained they take a 'flexible approach' to solar developments that differs across projects. Vattenfall noted they have made discretionary payments on Solar projects in line with impact to local communities. However, EDF stated that they will provide £400 per MW of installed capacity per annum on projects going forward. Statkraft noted that they pay £200 per MW of installed capacity per annum on their solar developments at present. Pennant Walters provide the equivalent of £1,000 per MW of installed capacity per annum (index linked) on their Maesgwyn solar farm in Neath Port Talbot, which is significantly higher than what other developers noted to pay. This could potentially be linked to the local authority Neath Port Talbot County Borough Council having their own policy in relation to CBFs rates on solar energy projects. RWE explained they do offer CBFs on solar projects but due to the high number of variables and differing economics, their current approach involves a one-off payment to the community.

Overall, the provision of CBFs across solar energy projects is inconsistent and is less prevalent than the onshore wind sector. The example of the £1,000 per MW rate of CBF provided by Pennant Walters on Maesgwyn solar farm shows there is scope to introduce and encourage an industry level rate. In our survey responses, one developer noted that the industry is currently consulting on setting guidance for solar CBF levels.⁸⁰ Given the lack of overall guidance within

79 [National Grid, 'Onshore vs offshore wind energy: what's the difference?'](#)

80 Anonymised Developer Questionnaire data (2023).

the industry, a number of local authorities have set their own CBF guidance relating to Solar developments that guide discussions with developers. For example, in June 2023 Shropshire Council established guidance to support Parish and Town Councils in negotiations with prospective developers. While their flexible guidance does not set a CBF rate for solar, they refer to £500 per MW installed capacity as a 'reasonable baseline level for the financial value of community benefits'.⁸¹ As CBF rates in solar can vary from no provision at all, to a one-off payment or between £200 - £1,000 per MW installed capacity, there is potential for the Welsh Government to set their own policy guidance in relation to Solar energy to ensure a consistent and fair provision for communities across Wales.

The impact of Community Benefit Funds

Evidently, the rates of CBF provision can vary greatly across communities in Wales. Despite this, community benefit funding allows local communities hosting onshore wind farms (and possibly other technologies going forward) to capture private sector investment in the form of long-term financial payments. As the rate of community benefit funding has gradually increased alongside the scale of onshore developments, in coming years it is likely that communities in Wales will receive substantial funds. For example, Vattenfall's Pen y Cymoedd wind farm in South Wales currently provides over £1.8 million annually to the local community.⁸² CBFs now offer the potential for significant impactful economic and social benefit to surrounding communities, if spent in the right way.⁸³ In light of growing funds, there is evidently a need for formal policy and best practice guidance from the Welsh Government to support both communities and developers to ensure such funds have maximum impact within communities.

The wider economic context in Wales presents a bleak picture of high poverty rates, low levels of community resilience and sustained social exclusion within our communities.⁸⁴ The Welsh Government has weak fiscal firepower and a limited budgetary capacity, alongside a number of local authorities in Wales nearing financial bankruptcy, there are limited finances available to tackle these systemic economic issues. Therefore, there is potential for such place based community funding from the commercial renewables sector to provide bottom-up approaches to tackle social and economic challenges and build community resilience and wealth.

With a recent focus on the foundational economy in Wales, and wider approaches of Community Wealth Building gaining traction, there is a move to build a more just Welsh economy. Both approaches consider the reorganisation of Wales' economy to allow wealth to be retained within local places and regions for the benefit of ordinary people. Community benefit schemes can play a useful role in local retention of income if used to facilitate economic development and build local resilience.

81 [Shropshire Council \(2023\), 'Community benefit from solar farms in Shropshire'](#).

82 [Pen Y Cymoedd Wind Farm Community Fund](#).

83 [Renewable UK Cymru \(2013\), 'Economic Opportunities for Wales from Future Onshore Wind Development'](#).

84 [Wales Centre for Public Policy \(2022\), 'Poverty and social exclusion in Wales'](#).

Developers typically devolve the responsibility of managing and running CBFs. The funds are widely agreed to be 'owned' by the local community. CBFs can be managed and delivered by Community Trusts, Town and Community Councils, by committees including the participation of local authorities, community members and wind energy developer representatives, local community interest charities (CIC's) and other bodies⁸⁵.

Given the voluntary nature of CBFs there is no single model for how funds should be best established, governed and allocated. As previous work in this area has found, the decentralised approach to CBFs means there is little in the way of evidence on the long term local impacts.⁸⁶ A recent study by Renewables UK Cymru found that CBFs in Wales bring a host of wider important social benefits to communities, but did not quantify the economic impacts of such funds.⁸⁷ As CBFs are owned by the local community they are used to fund a range of activities considered to be a priority for each community, leading to a decentralised approach.

Furthermore, a majority of funds related to onshore wind projects have restrictions relating to eligibility most often relating to spatial restrictions, to residents and eligible organisations within a designated boundary area often based on close visibility of and proximity to the wind energy development and associated infrastructure, power lines and access roads.⁸⁸ Community organisations and members are encouraged to submit funding applications for grants which are subsequently judged against a criteria of the funds' priorities. However, due to charitable status of the many funds, the most common beneficiaries are community organisations and are rarely individual community members or businesses⁸⁹. Therefore, the use of funds for wider economic development is constrained (see later discussion).

The type of activities that have been funded most often tend to be local community facilities and centres, sports clubs including funding new sports kits, churches and schools often funding renovation works or grants to support their ongoing work. Funds can also specify community objectives such as a commitment to use funds to support education and training. More recently, funds have begun to be used to greater effect to support tackling climate change locally. For example, the RWE Brechfa Forest Wind Farm Fund has been used to reduce local carbon emissions by funding electric vehicles for community transport schemes as well as solar panels and charging points on community buildings.⁹⁰ The use of funds in this way is not common practice within commercial projects but could provide an example of CBFs being used to greater local impact.

85 [M, Munday et al \(2011\), 'Wind farms in rural areas: how far do community benefits from wind farms represent a local economic development opportunity?', *Journal of Rural Studies*, 27, 1–12.](#)

86 [Renewable UK Cymru \(2013\), 'Economic Opportunities for Wales from Future Onshore Wind Development'.](#)

87 [Renewable UK Cymru \(2023\), 'Onshore Wind in Wales: How our sector works with communities'.](#)

88 [M, Munday et al \(2011\), 'Wind farms in rural areas: how far do community benefits from wind farms represent a local economic development opportunity?', *Journal of Rural Studies* 27, 1–12.](#)

89 [M, Munday et al \(2011\), 'Wind farms in rural areas: how far do community benefits from wind farms represent a local economic development opportunity?', *Journal of Rural Studies* 27, 1–12.](#)

90 [Renewable UK Cymru \(2023\), 'Onshore Wind in Wales: How our sector works with communities'.](#)

Overall, while these activities bring wider positive social impacts they have a limited impact to foster local economic development and build community wealth. Through discussions with developers and fund managers there was a clear desire for funds to achieve a lasting economic impact in communities that could still be felt after the funds ended. However, one developer noted that when considering funding applications they are increasingly aware that funds are often used to fill gaps in public spending. During the coronavirus pandemic CBFs across Wales mobilised to urgently respond to the communities need and funded activities such as local food bank provision. Here the developer noted that while this had a direct impact to the local community there was concern that funds used in this way will not secure a lasting impact. Evidently, CBFs can have an immediate impact and contribution to local communities through renovating community buildings or funding food banks however, used in this way they run the risk of building *reliance* within the local community and not *resilience*.

Our analysis found that a number of barriers limit the potential to realise and achieve wider economic benefits within communities. Firstly, understanding the social and economic needs of host communities can be difficult. Developers often consult community members to ascertain local need and develop priorities of their fund, but they do so to differing degrees. We found that some developers conduct their own extensive independent socio-economic analysis within the local area alongside community engagement and utilise both findings to inform an evidence base for the CBF priorities. For example, before establishing the Pen y Cymoedd Fund, Vattenfall conducted two years of preliminary work to understand socio-economic needs within the nearby communities. We also found that some developers ensure that CBF managers annually report and analyse the impact their funds have locally, examining economic impact. However, this is not standard practice across all developers and is likely more common for larger scale CBFs with the potential for greater economic impact. Other developers stated they primarily engage with the local community and shape the funds this way but do not annually report on the impact of their fund.

Our research found key concerns expressed by both communities and fund managers regarding the ability of the local community to engage with and shape funds. In our community surveys we identified a number of barriers that limit local residents from engaging with funds. They noted barriers including; a lack of information about CBFs and how to apply and concern regarding the time, capacity, confidence and skills required to complete forms. One respondent who had applied to a CBF noted that they found the experience tedious, bureaucratic and lacked the required support with their application. Evidently, not all community members within an area have adequate or equal capacity or time to feed into funds visions or influence how they are spent and significant barriers limit the degree of community involvement. Unfortunately, funds can become shaped by the loudest voices within an area, with the capacity, resource and time to be involved, meaning there are limits to the levels of engagement with communities. That the loudest voices can also correspond to capacity and knowledge of accessing local funding, also highlights the wider potential inequalities inherent in such engagement and involvement exercises. This can act to freeze out the most marginalised individuals and communities from accessing funding.

The level of time and resource spent by developers when engaging with the community to establish the CBF varies. There were examples of best practice happening in Wales but also concerning findings where CBFs were heavily influenced by the developer who appeared to conduct very limited community engagement. Evidently, there will always be limits on the levels of engagement within communities and not all voices will always be captured. Here, the role of the Scottish Government's Good Practice principles has been instrumental in guiding how developers should conduct meaningful engagement with communities.⁹¹ Their Community Benefits Toolkit also addresses issues of capacity within communities and provides free expert support to communities and developers to establish 'Community Action Plans' based on local needs that guide fund priorities.⁹² Such policies have helped combat barriers around communities' own perceived lack of confidence and capacity and have supported them to engage and negotiate with developers more effectively. There is real potential for the Welsh Government to also provide similar support funded and delivered through the Welsh Government's Energy Service or Community Energy Wales.⁹³

Our research found concern among developers, fund managers and third sector organisations around the governance and accountability of funds. The overall lack of best practice policy in relation to CBFs, coupled with their voluntary nature has meant that governance structures within CBFs vary greatly. We found that different stakeholders preferred different methods for establishing funds. From establishing independent charities to manage funds or managed by local voluntary councils and Town and Parish councils, it is evident that a flexible approach is



91 [Scottish Government \(2019\), 'Community benefits from onshore renewable energy developments'](#).

92 [Local Energy Scotland, Community Benefits Toolkit](#).

93 [Welsh Government Guidance, 'Energy Service \(for public sector and community groups\)'](#).

appropriate. Each type of fund setup has its own strengths and limitations. However, as the level of CBFs coming to Wales can increase with substantial annual funds there is evidently a need for policy guidance from the Welsh Government in this area. Whilst there may be no one fixed design of effective funds, some key principles for the governance and administration of funds would be of value to all stakeholders.

Large CBFs such as Pen Y Cymoedd Fund could benefit from a more formal structure with a full time fund manager and small team of employees. The Pen Y Cymoedd Fund is a Community Interest Company (CIC) and delivers an annual budget of £1.8 million. Some stakeholders we engaged with expressed concern that administering funds in this way requires a section of the community benefit funding to be used to fund the CIC and staff members. While this does take a portion of funding away from the overall CBF budget it also can allow for a more resourced fund management team and allow for more effective use of funds and can improve governance of such large funds.

Issues surrounding governance and accountability of CBFs were raised during our interviews with key stakeholders. We heard about concerns regarding conflicts of interests whereby local councillors sat on CBF boards and influenced funding decisions. Furthermore, in some cases representatives from the renewable energy development also exerted influence on the use of the CBF within the local area which is widely regarded to be the community's fund and should not involve influence of the developer. The Scottish Government's Community Benefits Toolkit serves as an important resource for communities and developers when deciding how to establish CBFs. Communities can consider different CBF structures and consider which is best for their community. Their CBF toolkit helps both developers and communities to ensure good governance structures, highlights possible conflicts of interest and presents possible administrative arrangements for communities to consider. The toolkit empowers both the local community and the developer to ensure best practice is followed and the most effective CBFs are established with stronger governance measures. There is a need for clear policy guidance and support from the Welsh Government to ensure CBFs are accountable, transparent and have good governance arrangements.

Examples have begun to emerge in Wales whereby CBFs are being utilised to secure wider economic benefits. Although this is less common, on larger CBFs measures have been taken to utilise CBFs to deliver business funds, support local community members to set up their own businesses. One fund manager explained the local community were originally hesitant to warrant the use of funds in this way but they have since proved to be a way to generate wider economic impacts and build more resilience with local revenue streams, whilst building the foundational economy. Due to the charitable status of most CBFs there are often strict limitations on what can be funded that can limit funding to local businesses. However, where funds are being used in this way provides greater potential for economic development. For example, Pen y Cymoedd Fund has Micro grants available to support local communities and businesses, supporting enterprise development within the local economy.⁹⁴ The Clocaenog Forest Wind Farm fund also noted that a key priority of their CBF is to grow and impact the wider

economy and established a range of funding levels including a business fund aimed at economic development.⁹⁵ These show ways to utilise funds to ensure wider economic impact can be realised through more impactful use of funds.

The overall economic impact of CBFs is therefore not currently known. Therefore, the option to pool funds within regions could provide a way to have greater impact. This is not common practice in Wales currently but has been used in Scotland, whereby projects have been established in less populated rural areas. In this way, funds can have a joined up impact within a wider area and focus on economic redistribution and impact. Furthermore, RWE have acknowledged the benefit of increasing the scope of beneficiary communities to boost economic impact. On their Gwynt y Mor offshore project and Clocaenog wind farm priority zones have been established that expand the area of financial benefit. Initial plans on the Clocaenog wind farm had originally considered a CBF rate of £5,000 per MW alongside an additional 'Economic Development Fund' of £3,000 used to stimulate economic development in the wider geographic area. Subsequently, the overall CBF rate was at £8,000 but these efforts show different approaches to capture wider economic benefit within CBFs in Wales.

Prior research in this area has also suggested the possibility of the Welsh Government aggregating or 'top slicing' a portion of CBF funding which would then be held at a national level and redistributed to have greater economic impact, possibly through an independent body. Such funding could be used to build greater resilience and mitigation to climate change locally and help with efforts to decarbonise energy, invest in community energy and tackle fuel poverty through investing funds to insulate or retrofit housing. This would allow for joined up national policy to enable the profits retained from commercial projects to be spread more evenly among communities with a targeted impact.

There was a general concern among developers that such an approach would take away the bottom-up community involvement of funds and break the positive link between the local wind farm or energy project and the CBF. Overall developers were not supportive of this approach. However, given the limitations of CBFs including the capacity of communities to engage and impact funds, diverging rates of effective engagement by developers, a lack of wider economic impact from such funds, there is scope to explore top-slicing a portion of CBFs. Furthermore, our research found that despite efforts to engage widely within communities the most common demographic who engage with CBFs often tend to be older members of the community with more time, capacity and resources to be engaged. When funds operate within communities with higher levels of deprivation there are concerns that some members of the community will be limited in their ability to engage, contribute and shape the CBF. There is a limit to which all community voices and opinions are heard. Therefore, the option to aggregate and top-slice a portion of CBFs could help with a more democratic application of funds delivered albeit in a top-down fashion but with an intention to impact those most socially disadvantaged in communities.

Evidently, the levels of CBF provision across Wales differ, as does the overall economic impact of funds. There are some new approaches being undertaken to ensure wider economic development and retaining wealth in communities. However, there are also a number of limitations associated with CBFs linked to the capacity of communities to engage and impact funds, concerns regarding accountability and governance and the ability for funds to leave a legacy in communities and bring longer term economic impact. There is a clear need for the Welsh Government to learn from Scotland and implement a Community Benefit Toolkit and fund a similar scheme of support and guidance to strengthen CBFs in Wales.

Beyond Community Benefits

This paper has outlined the potential impact and limitations of the current voluntary CBF provision in Wales. Now is the time to consider novel and radical ways of retaining wealth from commercial renewable energy developments in Wales. With growing discussions on how Wales can retain its wealth and ensure an equitable transition, we want to explore approaches taken in different nations. The IWA has called for the devolution of the management of the Crown Estate and its assets in Wales to the Welsh Government and this movement continues to grow with a number of political parties including the Welsh Labour Party supporting this call.⁹⁶ However, beyond this, how would the Welsh Government and local authorities work with commercial renewable developers to develop projects in the seas surrounding Wales and retain greater amounts of income regionally? With investment in Wales set to increase as we accelerate to reach net zero targets and decarbonise the energy sector, there is a significant opportunity for Wales to retain greater wealth. The Welsh Government and communities in Wales must set the terms of exchange with the commercial energy sector and capture a greater portion of profits while the wave of investment is forthcoming.

Perhaps unsurprisingly, nine out of the top ten countries leading the energy transition to renewables have a publicly owned renewable energy generation company.⁹⁷ Therefore these nations do not rely heavily on policy initiatives to capture and retain income from the commercial renewable sector as energy is in full or majority public ownership. In this way, Wales and the wider UK is an outlier compared to most European states in lacking public ownership of energy. While fiscal constraints and the reserved powers on energy generation limit the Welsh Government's ability for a full re-nationalising of energy, recent moves to establish Trydan Gwyrdd Cymru are a step in this direction.

In this section, we consider the steps taken by other states, that also have a privatised energy market, to engage with the private sector and retain greater income within their nation. While some states may be further along on their journey to decarbonise than Wales, what methods could we learn from and apply in Wales? Each case study points to a different approach and while they may not be easily taken and applied to Wales they offer us an insight into where Wales could go next for a more equitable transition, retaining wealth in Wales and importantly, raising Wales' ambition.

Across a number of states, community ownership of energy plays a key role, even where there is state ownership of renewable energy generation. Community energy involves a group of local people working on energy solutions to the climate crisis and can take a number of forms.⁹⁸ In the UK, community energy has the potential to generate 12 to 13 times the local economic value of commercial energy installations.⁹⁹ Community ownership of energy plays a key role

96 [Institute of Welsh Affairs \(2024\), *Wales, the journey to net zero: tackling climate mitigation through accelerated infrastructure investment*.](#)

97 [Common Wealth \(2022\), *Power to the People: The Case for a Publicly Owned Generation Company*.](#)

98 [Power to change \(2023\), *The Role Of Community Energy In A Just Transition To Net Zero*.](#)

99 [UK Government \(2014\), 'Community Renewable Electricity Generation: Potential Sector Growth to 2020'.](#)

in stimulating the local economy, redistributing profits back within the local community or in further community energy projects.¹⁰⁰ Furthermore, research has found that community owned wind farms in Scotland have paid their communities 34 times more than commercial counterparts, providing a greater impact to the local economy and community.¹⁰¹

Community ownership of energy can deliver increased autonomy, empowerment and resilience by providing a long term income and local control over finances, often in areas where there are few options for generating wealth.¹⁰² Community owned energy developments are established to redistribute benefits more effectively and offer a more impactful alternative to CBFs. While there remains a key impact for CBFs from commercial projects, seeking greater shared community ownership on such projects should also be prioritised in order to retain income from projects and give communities a stake in projects.

Despite this, the sector in Wales faces a number of structural issues and challenges. Notably, communities struggle with the upfront costs and risks associated with developments and there is a lack of financial support from the UK and Welsh government to support communities. However, to prevent a repeat of communities being excluded from retaining the benefits of this energy transition, there is a need to give agency and wealth back to communities. In particular, the following case studies explore how community ownership has been used in states to support indigenous and local communities. While the cultural context differs, the themes of equity and a just, rights-based transition are also applicable to former coalfield communities in Wales.

100 [Community Energy Wales, 'Q & A'](#).

101 [Aguatera \(2021\), 'Community owned wind farms have paid their communities 34 times more than commercial counterparts'](#).

102 [National Trust \(2012\), 'Social and Economic Benefits of Community Energy Schemes'](#).

Retaining wealth for communities: International case studies

Canada

Canada is a world leader in the production and use of energy from renewable resources. Much of the large scale renewable energy projects in Canada are financed and owned by the government or via public-private partnerships.¹⁰³ Community ownership of renewable energy developments are emerging as a potential pathway to reconciliation and a just transition with indigenous communities in Canada.¹⁰⁴ The following are classifications of ownership arrangements that contribute to reconciliation:¹⁰⁵

- **Indigenous Ownership** - full indigenous ownership, enabled through access to developers and favourable financing arrangements. An example of this is the Sukunka Wind Energy Project that is majority owned by the Saulteau First Nation alongside the private renewable energy company Natural Forces.
- **General Partnership** - ownership is split between indigenous partners and funds can be pooled for larger investments. Alternatively, ownership is split between an indigenous community and a developer with shared decision-making and equally distributed earnings. This model allows indigenous peoples autonomy while utilising the developers expertise and financing.
- **Limited Partnership:** formed between a coalition of indigenous communities or between utility partners and indigenous communities. A flexible form of co-ownership that differs across projects and can distribute liability and risks.
- **Equity Ownership:** Indigenous communities purchase equity in a renewable energy project, acting as shareholders. This is often the most straightforward option. However, it is unlikely that Indigenous communities actively participate in the project's planning or administration and they only often control up to 25% of the project.¹⁰⁶

While each ownership arrangement has different levels of agency and decision making, the broader understanding behind such efforts acknowledges the need to redistribute wealth and equity back to indigenous communities that are often marginalised. A number of funds and programmes have been made available to enable indigenous and rural communities to engage

103 [Canada Infrastructure Bank.](#)

104 C, Hoicka (2021), 'Reconciliation through renewable energy? A survey of Indigenous communities, involvement, and peoples in Canada', *Energy Research and Social Science*, Vol 74.

105 [Institute for Human Rights and Business \(2023\), 'Community Ownership of Renewable Energy: How it Works in Nine Countries'](#).

106 [Institute for Human Rights and Business \(2023\), 'Community Ownership of Renewable Energy: How it Works in Nine Countries'](#).

within community energy initiatives, build capacity and overcome financial barriers. The British Columbia Indigenous Clean Energy Initiative¹⁰⁷ provides capacity-building funds to support Indigenous communities developing clean energy projects with benefits including ownership, revenue sharing, business development, and local employment.

Furthermore, The Indigenous Leadership Fund provides up to \$180 million by 2029 to support Indigenous-owned and led renewable energy, energy efficiency, and low-carbon heating projects led by First Nations, Inuit, and Métis.¹⁰⁸ The availability of financial support via financing schemes, grants and loans have helped reduce barriers and ensure indigenous communities have equity and agency, sharing in Canada's transition to net zero. The range of ownership methods also offers communities various options with varying degrees of risk and involvement to consider. These various examples of ownership models provide useful insights into how marginalised communities in economically disadvantaged communities, such as former coalfield communities in Wales, could be supported to overcome barriers linked to community owned energy projects.

Denmark

Denmark has the highest proportion of wind power in the world and while the Danish Government does not fully own renewable energy generation, they own a bare majority (51%) of shares in the leading renewable energy developer Ørsted.¹⁰⁹ Their transmission grid is fully publicly owned¹¹⁰ and community ownership drives their energy transition. Collective ownership has a long historical precedent within Denmark's culture with communities financing individual wind turbines since the 1970s.¹¹¹ In 2009, the Danish government imposed a novel statutory policy to compel renewable energy developers to establish a co-ownership model that ensured new onshore and nearshore wind farms must have at least 20% owned by local communities.¹¹² Developers are permitted to offer ownership to residents and businesses a 4.5km radius around the wind turbines which generates additional revenues for communities or individuals.¹¹³ Such policies help to ensure greater shared ownership is secured by compelling commercial developers to provide community ownership and show that methods of enforcing developers to act does not detract investment. The use of a specified geographic radius in which to offer community ownership in this case study also helps to ensure that shareholders and beneficiaries are members of the local community. A key concern in Wales is that current loose guidance means that 'local owners' are not permitted to live near to projects and could potentially live outside of Wales, limiting true local ownership. However, without financing models to support marginalised communities, upfront financial barriers would impact levels of engagement and ownership.

107 [British Columbia \(2021\), 'More First Nation communities to advance clean-energy projects in B.C.'](#)

108 [Canadian Government, 'Indigenous Leadership Fund'.](#)

109 [Ørsted, 'Shares'.](#)

110 [Danish Energy Agency, 'Natural gas'.](#)

111 [Green Economy Coalition \(2017\), 'Communal ownership drives Denmark's wind revolution'.](#)

112 [S, Kerr \(2017\), 'Understanding community benefit payments from renewable energy development', *Energy Policy*, Vol 105, pp.202-211.](#)

113 [S, Kerr \(2017\), 'Understanding community benefit payments from renewable energy development', *Energy Policy*, Vol 105, pp.202-211.](#)

The case studies from Canada and Denmark show government initiatives for increased community ownership and collaboration with commercial developers with an array of models in Canada and financial support for indigenous communities to engage in community ownership. The case study from Denmark shows the potential role of the state to enforce statutory guidance to compel developers to offer community ownership on commercial energy projects. Community energy shows a potential for true ownership and agency within a just transition and offers a way for communities to ensure long-term lasting economic benefits. Given that the upfront costs of community ownership remains a key barrier for communities in Wales, the Welsh Government should explore utilising investment from commercial energy developments to provide greater financial support to the community energy sector. In addition to CBFs, developers could achieve lasting impact by providing grants and supporting capacity building for community energy developments alongside commercial projects.

Norway's sovereign wealth fund

Norway's sovereign wealth fund was established as a strategic vehicle for investing the country's oil field profits for the public good. In 1969, following the discovery of a large offshore oilfield, the Norwegian government decided to retain profits in a sovereign wealth fund, retaining economic benefit for future generations once reserves had been used up.¹¹⁴ Decades on, the fund is one of the largest in the world and the Norwegian Government has been continuously allowing the fund to grow and used it to invest in renewable energy projects. The fund acknowledged the finite nature of oil as a resource and therefore ensures the benefits can have a long term impact. While renewable energy technologies and the resources they depend on, such as wind, water and the sun, are not finite, the projects themselves are limited to a set lifespan. Therefore, there is scope, based on the argument of capturing economic benefits for future generations, to emulate the use of Norway's sovereign wealth funds in Wales and capture benefits of renewable energy projects for the long term.

The Shetland Charitable Trust

The Zetland County Council Act 1974, allowed revenues to be captured in effect from parts of the supply chain from the then-emerging offshore oil and gas industry.¹¹⁵ The Trust was established to receive and disburse money paid by the oil industry to the local community as compensation for the new terminal operating in Shetland and based on the basic principle that the community had a right to share in the profits of oil. Since then, the Trust has disbursed over £320m on charitable activities.¹¹⁶

114 [Norges Bank Investment Management, 'About the fund'](#).

115 [Shetland Islands Council \(2014\), 'Shetland Local Development Plan'](#).

116 [Shetland Charitable Trust](#).

Both the Shetland Charitable Trust and the Norwegian sovereign wealth fund case studies offer potential examples of how similar initiatives of retaining wealth from Wales' natural resources could be established based on the same principles that Welsh communities and future generations should be able to share in the profits from renewable energy. As the Welsh Government establishes a state-owned developer, alongside the future opportunities from offshore wind in Wales, there is a clear opportunity to establish a Wales Wealth Fund. Such a fund would be in line with the Well-being of Future Generations (Wales) Act and provide a useful mechanism to capture and secure long term economic impact of the income from renewable energy developments in Wales.



Findings and conclusions

This paper has considered how Wales can retain a greater share of wealth from commercial renewable energy projects and ensure communities that host renewable developments can benefit from a lasting socioeconomic impact, contributing towards a just transition that truly delivers for all. In doing so, this paper furthers the discourse on capturing long term, sustainable socio-economic benefit from Wales' renewable energy transformation over the next decade, which will need to be greatly accelerated for the Welsh Government to hit their legally mandated net zero pathways. This report explores the use of CBFs as a form of economic and redistributive justice, particularly within economically disadvantaged former coalfield communities and identifies a number of limitations in the current provision, administration and governance of CBFs. An overall lack of policy and direction from the Welsh Government to commercial developers and communities has led to an uneven provision across Wales and the lack of recorded data means the economic impact of CBFs in communities is currently not known and ill-defined.

The paper identifies a number of key findings linked to the provision of CBFs in Wales and makes a series of recommendations to strengthen a fairer provision of CBFs and achieve greater impact within communities. We also examine alternative ways to achieve lasting economic impact in communities from increased rates of community ownership of energy. Exploring case studies, the report shows how other nations have ensured strong partnerships with the commercial renewables sector to provide higher rates of shared community ownership and alternative ownership models to enable marginalised and economically disadvantaged communities to play a part in the energy transition. Finally, we consider how Wales can best retain income from commercial renewables projects and ensure a lasting economic impact for future generations by establishing a Wales Wealth Fund.

The research, interviews and surveys undertaken as part of the report make clear the wider potential economic opportunities available as part of Wales' net zero transition. Indeed the net zero transition and the green economy are the *economic opportunity* over the coming decades for Wales. But one thing is also clear, strong public policy and guidance is needed to ensure that the coming energy transformation has long term benefit to communities in Wales. In doing so, Wales cannot afford to repeat the mistakes of past energy generations, where wealth is extracted out of communities.

Expanded Recommendations:

Recommendation 1:

Re-powering communities: reforming community benefit funding. In order to retain greater economic impact and income from renewable energy projects within Welsh communities, the Welsh Government should outline clear policy and good practice guidance for the provision of CBFs from renewable energy projects to support both developers and communities in achieving greater economic impact of CBFs. In doing so the Welsh Government should:

- Re-establish a community benefits register and map retaining information across onshore and offshore wind and solar energy developments in Wales. The Welsh Government should learn from the Scottish Government in how to best engage and encourage developers to provide relevant data, or explore alternative methods to require developers to provide such information when operating in Wales. The map should be public facing, as a useful resource for local communities.
- Define CBFs as a form of economic redistribution of income accruing from Wales' natural resources back to Welsh communities, and not as a gesture of goodwill alleviating local impact. This could broaden the scope of beneficiary areas with wider potential for economic impact. Priority zones can be used to retain financial focus for those most local to developments while ensuring onshore communities do not miss out on CBFs or wider economic benefits from offshore energy projects with little local impact.
- Mandate a base level of CBF provision of £8,000 per Megawatt (MW) of installed capacity for all projects above 5MW across onshore and offshore wind and explore a base rate for solar developments to harness increased private sector investment and ensure a fairer and more even provision across communities. This would raise CBF levels to rates offered on the NRW estate and alleviate pressure from third sector organisations and local authorities in trying to secure a CBF or fairer CBF rates. Developers would still be able to offer higher CBF levels over £8,000 per MW but mandating a baseline rate would compel developers to provide a CBF, ensuring communities do not miss out.
- Consider top slicing and aggregating a portion of community benefit funding from onshore and offshore wind developments over 25MW, used for wider community development and climate adaptation. This would allow for a greater economic impact if a level of funding could be pooled in this way. Given the barriers that limit some members, particularly in economically disadvantaged communities, from engaging or applying to a CBF, this could provide a democratic way to ensure aggregated funding is then targeted towards marginalised communities within a wider geographic area.

- Ensure fairer CBFs by exploring an additional annual bonus measure that reflects and redistributes a share of at least 10% of annual net revenue from projects. This could retain the current measure to ensure a baseline of parity across developments but have an additional annual bonus measure that reflects and redistributes a share of at least 10% of annual profits, more fairly reflecting the profits generated by developers. Throughout the energy crisis profits from renewable projects have grown but CBF rates have remained the same while host communities have faced increased energy bills. This additional measure would help to ensure greater fairness regarding CBF rates.
- Establish best practice principles, informed by communities and industry to guide the provision of CBFs within communities across a number of renewable energy technologies. Such policy guidance should ensure annual economic and social impact assessments and monitoring are undertaken to monitor and ensure long term impact can be realised, particularly on CBFs of a significant scale. Best practice principles from the Welsh government would empower communities and local authorities to understand what best practice looks like and hold developers to account regarding CBF provision if it fell below set guidance. This was welcomed by all developers in our research as a useful resource to guide their CBFs and achieve greater impact.
- Establish a Community Benefits Toolkit and fund a CBF support scheme, learning from the Scottish Government’s CARES scheme, funded through Local Energy Scotland. A Toolkit and free expert guidance for communities and developers would enable both partners to build stronger, evidence-based CBFs with greater accountability, capacity building, and trust while achieving greater impact. This could be funded and delivered through the Welsh Government Energy Service or Community Energy Wales. This would help to address some of the barriers outlined in our research that limit greater community engagement with CBFs particularly regarding capacity building, confidence and knowledge or skills gaps.

Recommendation 2:

Establish best practice through Trydan Gwyrdd Cymru, ensuring a minimum of 30% of community ownership on their future developments to maximise retaining income and increased economic impact for communities. As The Welsh Government formalise the role of Trydan Gwyrdd Cymru they should explore the possibility of community ownership where possible. While we are yet to know more on how Trydan Gwyrdd Cymru will operate, this provides a unique opportunity to set a gold standard of community ownership and demonstrate how incomes can be redistributed among Welsh communities. Where projects may be a private/public partnership, jointly developed with a commercial developer, community ownership may be constrained, here the Welsh Government must ensure the developer provides best practice CBFs.

Recommendation 3:

Accelerate community ownership on commercial projects, by compelling all new commercial renewable projects above 5MW to have a minimum level of 15% of community and local ownership by 2028. The Welsh Government should learn from the Danish Government's example and establish policy to retain the benefits in Wales and ensure communities have a stake within local energy generation. Learning from Denmark shows that their policy to compel community ownership on joint public/private and commercial projects has been successful and has not detracted private investment. The Welsh Government should work with developers to explore and offer a range of community-ownership models, reducing upfront financial barriers that may currently limit economically disadvantaged communities from beginning community owned energy projects. As in Canada, developers can provide free expert advice and support to communities and shield communities from financial risk.

Recommendation 4:

Re-investment for future generations, The Welsh Government should establish a Wales Wealth Fund, reinvesting income from renewable energy projects for the long-term benefits of future generations. The fund would capture 'sovereign wealth fund Payments' of at least 15% of net revenues made from future large scale onshore and offshore wind projects with an installed capacity over 50 MW in Wales, alongside a CBF for the local community. Learning from examples from Norway and the Shetland Islands, given the time-limited nature of renewable energy projects, a level of income should be retained within a sovereign wealth fund securing lasting benefits from such projects.

- As a first step The Senedd Climate Change Committee should explore how to finance this. Alternatively, the committee could explore setting higher Business Rates for all commercial renewable energy projects across Wales over 50MW and retain these in a Wales Wealth Fund. Profits generated from the Welsh Government's newly established Trydan Gwyrdd Cymru should also be retained in the fund.

