

Community Energy Fortnight 2024

Financing Community Energy Webinar

09 July 2024

Event Summary and Q&A

Co-Hosts: Monika Paplaczky & Jim Miller, Thrive Renewables and Allan Wilson & Scott Wilson of Radio City Association

Thrive Renewables:

Thrive aims to put money to work developing community renewable energy projects.

- 30-year track record
- 6000 investors
- 42 clean energy projects built
- 32 projects currently managed with a total value of £129M

Current market situation includes the loss of FITs in 2019, key revenue loss.

Contracts for Difference (CFDs) only support the lowest viable price to support renewable projects for big developments over 5MW and that help consumers.

CFDs carry a great deal of merchant risk, leaving developers vulnerable to volatile energy price variations.

Grid connections are biggest bottle neck for new projects which prevent new projects being developed. Projects have quoted post 2030 connection dates.

There is also a lack of skills and labour to complete the required works.

Community projects are groups of people coming together to manage generate and consume or reduce consumption of energy.

Ways to fund developments include; Crowd funding, community bonds, community shares, project finance, junior loans, bridge loans, portfolio loans, joint ventures & shared ownership.

- **Owning Projects – Community funding bridge:** If you're looking to acquire, build or own a clean energy project locally, and require funding to move forward quickly, then we could help bridge the funding gap.
- **Shared ownership:** We can provide you with the capital and expertise to build or develop larger scale projects alongside other community, public or private sector partners.
- **Co-development:** We can offer funding to support you through the initial development process to get new clean energy projects consented, built and operational.

Lessons Learnt

- Every community and every project will have different requirements.
- Professional project management could be a worthwhile investment.
- Projects without subsidies are inherently less remunerative and riskier.
- Shared ownership models could become more prevalent if developers have to demonstrate community support.

Radio City Association:

Case Study: Kilbirnie

- Project developed by Radio City Association, Kilbirnie, Garnock Valley
- 2.5 MW capacity
- £4M invested by Thrive
- Scotland's first subsidy free, 100% community-owned onshore wind turbine
- Construction is underway and expected to be completed by the end of 2024

About Radio City

- Based in Garnock Valley area of North Ayrshire with a population of around 21,000 people
- Post Industrial Area, traditional industry closure in 1980's and long-term inequality as a result, with some of most deprived areas in Scotland
- Established charity in 1999 to redevelop the listed Radio City building as a millennium project
- Successfully operated through a myriad of challenges.

Community Wind Project Details

- Enercon E82-E4 turbine currently in construction with multiple local companies benefiting in Community Wealth Building procurement model.

- 100% of profits returned to be invested in our community
- Development Financed by Local Energy Scotland (CARES)
- Financial support with project backed by Thrive Renewables and Social Investment Scotland (SIS)
- Operational via a CIC on 100% subsidy free model
- Community ownership returning more in community benefit than 44 commercially owned turbines in local vicinity combined

Next Steps

- Turbine delivery and construction in period of August to September
- Deployment anticipated in December 2024 then exporting to national grid with power purchase agreement
- Ongoing community engagement and participation
- Complete development of Hydro Scheme

Current State of Community Energy

- Severe challenges holding back community energy but also new opportunities arising
- Community Wealth Building being prevented via orthodox procurement methodology
- Grid Capacity is constrained and requires significant investment
- Lack of skills in community groups to overcome multiple obstacles
- Planning system is not suitable for community developers
- Removal of incentives such FIT and ROC has made a more challenging environment and SEG replacement not fit for purpose
- Equity ownership in commercial projects requires support for communities similar to establishment of Land Fund
- Requires greater political support to achieve a difference with proposed GB Energy offering potential lifeline.
- Support for spectrum of areas of community energy aside from generation are required to support just transition to Net Zero

Q&A notes

Are Thrive Renewables providing funding via money equity or debt?

Both.

Do you only look at new schemes or will you support re-powering of existing schemes coming to the end of their lives?

Support for repowering and new renewable schemes are provided by Thrive.

Slightly aside of the topic, several of our members might be interested to hear how you insure your EV hire scheme and any challenges you've had with that?

“Hiyacar” has been used as part of the project and insurance of the vehicle is provided by them.

I am interested in your choice to be a CIC rather than a CBS - I have been researching models & CBS seems to be the most preferred. What did you feel the benefits were to being a CIC?

CIC was identified as the optimum model for developing new renewable projects.

Would Radio City give access to your Community Wealth Building procurement model?

Yes

Does the panel see a bright future for community/individual investment into projects (or is the future commercial funding from the likes of Thrive)? If space still for community/individual investors, what do the panel see as the main obstacles to greater participation?

Role for both commercial funders such as Thrive and local community investors though shares and bonds.

Does Thrive fund projects outside the UK, e.g Republic of Ireland?

Yes, in the UK and Republic of Ireland but no further afield.

How early would Thrive generally become involved in projects and what securities and control would you normally require?

Thrive will not finance feasibility and similar studies but can be slightly flexible. Thrive are involved very early on before funding is secured and works have commenced. Securities are required for Thrive, who in return put in vast amounts of the initial funding. Severe challenges holding back community energy but also new opportunities arising.

An end to the effective ban on onshore wind, creation of GB Energy, more promises about insulation of housing stocks - are the panel excited about the new [UK] government?

Yes, Thrive are excited about the new government which will change planning policy and should help develop onshore wind across the UK.

Interested to understand what thrive sees as 'commercial sense', when interest rates on capital might be >5%?

Rates of return are decreasing and so is subsequent remuneration with rising inflation.

Will grid capacity will be an issue in terms of being able to capitalise on the early changes that the new Labour Government are making related to onshore wind?

Yes, a lack of capacity will stall new developments even with the next government's proposed changes to planning policy.

Post session note: *The promotion of renewable energy, the consenting of electricity generation and transmission development, and the promotion of energy efficiency are currently devolved. This allows the Scottish Government to focus attention on advancing research, development and deployment in key areas, and gives Ministers some powers in governing the overall energy mix, including nuclear and other thermal generation via consenting powers.*

- End of Session -