

# **The Community And Renewable Energy Scheme**

## **Overview of Support**

**August 2014**

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# The Community And Renewable Energy Scheme (CARES) Overview of Support

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## **1. General Advice and Support**

Local Energy Scotland has been delivering CARES support since August 2013. The support covers technical guidance, administering grants and loans and advice is available face-to-face, online or via the freephone 0808 808 2288.

### **Network of local Development Officers**

The network of Development Officers provides communities and rural businesses with a high level of advice and support, and is seen as an invaluable resource by those who need the extra hand-holding required to see them through the process from start to finish.

Development Officers encourage knowledge sharing with other projects by developing case studies and attending events. There is also support available online in the form of toolkits, FAQs and other information on the website.

#### **Development Officers make a real difference to projects**

I have interacted with three CARES Development Officers over the duration of our feasibility studies and our planning application for a community based wind turbine. All have been unfailingly enthusiastic about the project and have responded quickly to any queries that we had. I have found site visits of particular help since it has been possible to explore the project in detail and in discussion to receive supplementary advice. The development officers knowledge of cognate studies has allowed one to anticipate likely problems in the project and thus to be more efficient. Of particular importance to groups with limited resources the signing off of requests for payment from the CARES loans has been rapid.

Jack Jarvis, Crail Community Trust

### **Financial Support**

[www.localenergyscotland.org/cares](http://www.localenergyscotland.org/cares)

#### **Start-up grant**

CARES provides grant funding to help towards the start-up costs of feasibility studies, community consultation and other preparatory costs. Up to £10,000 is available for community groups to fund non-capital aspects of a project. There is also an advance start-up grant of £20,000 available to community groups investigating shared ownership of large scale projects.

#### **Community buildings grant**

This fund can support projects located in areas which fall within the lowest band of the Scottish Index of Multiple Deprivation (0-20% SIMD). The grant scheme offers up to 90% of the costs of eligible renewable energy installations in community buildings and 100% of technical energy studies.

### **Pre-planning loans**

The Pre-Planning Loan provides support to community applicants taking forward plans for renewable energy generation schemes on land they own or could lease from a land owner. This loan covers up to 95% of pre-planning costs with a maximum loan per entity of £150,000. As not all projects lead to local energy generation, owing to failure to gain planning consent or other major obstacles, then they can apply for their loan to be written off.

### **Renewable Energy Investment Fund**

Community renewable energy projects that have successfully gained planning permission can apply for capital support from the Renewable Energy Investment Fund (REIF), which is designed to build on the early stage support provided through the CARES scheme. REIF offers a flexible lending service which can be tailored to individual community projects that have advanced to the delivery stage but still have challenging funding gaps.

### **Infrastructure and Innovation Fund**

Grant funding is available for communities to investigate and develop projects that link local energy generation with local energy use, or projects that wish to develop innovative distribution and storage solutions.

### **CARES Support Tools**

At every step of the way, CARES is looking to provide additional support to communities and rural businesses to make the journey easier for them. Tools have been developed to assist those planning renewables projects.

### **Renewables Handbook**

The Renewables Handbook provides an introductory guide to renewable technologies. It provides an invaluable resource for those starting out on a renewables journey. It discusses the technologies that have been employed by community groups across Scotland. The principles of how each technology works is provided along with the key issues regarding installation and operation as well as environmental impacts.

[www.localenergyscotland.org/resources-advice/renewables-handbook/](http://www.localenergyscotland.org/resources-advice/renewables-handbook/)

### **CARES Toolkit**

Local Energy Scotland have developed a toolkit to provide a step-by-step guide for projects from conception to completion. A project roadmap outlines the key project stages and takes you through a technologic specific journey. The toolkit also provides advice on aspects generic to all local energy generation projects.

[www.localenergyscotland.org/toolkit](http://www.localenergyscotland.org/toolkit)

### **Finance and contracts**

Community groups often find it challenging to procure services for professional advice, such as lawyers and financial advisors. CARES has put in place a framework of contractors to make accessing professional advice a simpler process, allowing projects to progress more quickly. The frameworks cover both legal and financial services. A framework for project management support is also in the pipeline.

<http://www.localenergyscotland.org/framework>

The CARES project finance model has been designed to provide community groups with a tool to determine the financial viability of a project. This gathers all the necessary financial information and project spend schedule information in a format that is clear and transparent, and easily interpreted by a potential lender. Support also includes project plan templates, contract documents and technology specific templates for Invitation to Tender documents. [www.localenergyscotland.org/tools](http://www.localenergyscotland.org/tools)

The CARES team have been organising finance workshops in partnership with Co-operative Development Scotland and the Scottish Investment Bank. The workshops provide groups with useful information and help to share learning between groups.

There have been three regional workshops so far in Inverness, Castle Douglas and Aberdeen.

#### **Finance Workshops**

The finance workshops have been great for building capacity within community groups. By getting groups together from the same area and at different stages of project development there is a real opportunity for the groups to support each other.

Melanie MacRae, Local Energy Scotland



#### **Investment Ready Support Package**

Local Energy Scotland launched the investment ready support package in January 2014 and already three communities have been supported through the process: the Mull and Iona Community Trust, the Islay Energy Trust and Kilfinan Community Forest Company. For more information see:

[www.localenergyscotland.org/investmentready](http://www.localenergyscotland.org/investmentready)

Getting proposals ready for investment can be complex. The support package helps by developing projects into a format that can be understood by potential investors, making the investment proposal clear including risks and benefits, helping to prepare for the due diligence process, minimising delays and preparing the pre-application work required for REIF funding.

One of the community groups helped to date, the **Kilfinan Community Forest Company**, are well on their way to installing a community hydro scheme. They have been working with the CARES Development Officer to investigate funding options for the scheme, as well as prepare for conversations with lenders. Using both the CARES Investment ready tool and financial modelling tool, they have been able to identify the costs, risks, and potential returns associated with the project. Through the planning stage the group have been able to increase the capacity of the hydro scheme and decrease the construction costs.

### **Kilfinan Community Forest Hydro**

We've had an exceptionally positive experience with our project so far. CARES had a central position in helping us to put our proposal together for the funding panel.

As an organisation we are in a place where we are able to sustain ourselves financially. Our challenge was how to raise money for the hydro scheme without putting this at risk.

We approached Social Investment Scotland and they were keen for us to develop partnership funding approach with REIF. This put us in touch with Pete at the CARES team who made things very easy for us. He really acted as our guide and provided constant handholding throughout the process. He explained the investment-ready and finance modelling tool to us, breaking it down section by section to make it easier to understand. He really made this much easier than it would've been otherwise. The tools went through every aspect of the project from the involvement of the community and experience of directors to planning permissions and civil engineering works, so it was good to have someone to explain this to us. We are very keen to share our experience with other groups thinking about going through the same process. Through Highlands and Islands Enterprise we would like to offer talks to other groups to help them understand how much is involved in the process and how to prepare before going for a loan.

William McAllan, Kilfinan Community Forest Company



## 2. Support for Direct Ownership

CARES offers support for direct ownership for communities and rural businesses through:

- Free advice and support
- Free online toolkits
- Start-up grant of up to £10,000 (communities only)
- Pre-planning loan of up to £150,000
- Support to access post-planning loans

Taking forward a locally owned renewable energy project can provide sustainable long-term income and build local capacity whilst also contributing to national renewable energy targets. All CARES supported projects must have a strong local and community focus and must provide a financial community benefit to the area.

Examples of directly-owned projects supported under CARES include:

### Coigach Community Wind Power



Community volunteers raising a 50m met mast to monitor the wind at the preferred turbine location in Coigach

The Coigach Community Wind Power project has been receiving support from CARES over a number of years. The project gained planning permission in February 2014. The Coigach Community Development Trust owns 100 percent of Coigach Wind Power Ltd and 50% of a hydro joint venture with Scottish Wildlife Trust, Ben Mòr Hydro Limited.

#### Providing flexible support

Without CARES nothing would have happened. To drive anything forward you need a lot of support. The loan funding was extremely helpful. There are so many little steps to go through and each one needs funding. We had financial help, legal help, environmental consultants, engineers and planning fees to pay for, amongst other things.

I have to say the flexibility within the scheme was fantastic. We were able to keep extending our loan which was an excellent thing as nothing worked within the timeframes expected. Behind every mountain we climbed there was another mountain, so the flexibility helped us out a lot. There was so much goodwill in the whole programme and from all the people involved, everyone was very focused and helpful. Peter Muir, Coigach Community Development Company

## Callander Community Hydro

Callander Community Hydro Ltd have received both funding and advice from CARES over the last seven years. They have received £1.9m in financing from Triodos Bank, the Scottish Investment Bank and Social Investment Scotland for the construction of their project.

It is the first hydro facility to be developed and owned by a community on Forestry Commission land. It is expected to generate around 1,300,000kWh of energy per year and deliver up to £2.85m to a range of Callander community projects over a 20-year timeframe.

### Callander Community Hydro

Our project has been assisted by CARES over a number of years and we've worked with a couple of the Development Officers over this time.

I've always found them to be really helpful, particularly their encouragement to keep going and their support to help move things along quickly.

They've been great at sharing information and experiences of other projects, which has helped us to develop ours. They also provided us with an introduction to REIF, which we found very useful. We used the business case model provided by CARES and found this was a valuable tool for planning our project.

Without the CARES funding and support we wouldn't be where we are today. The start-up grant was a critical part of stimulating the project and getting us going in discussions with our main funders at the banks. It was really important to us to get that early funding, we wouldn't have been on track with our build timescales without it.

Susan Clark, Callander Community Hydro Ltd



### **3. Support for Shared Ownership and Investment**

CARES offers support for collaborative projects by assisting communities, rural businesses and renewable energy developers. Local Energy Scotland work closely with renewable energy developers to provide advice and support and to signpost them to the package of support for communities and rural businesses which includes:

- Free advice and support
- Free online toolkits
- Framework of contractors for legal and financial support
- Start-up grant of up to £20,000 (communities only)
- Pre-planning loan of up to £150,000
- Support to access post-planning loans

Recognising that these are challenging projects technically and financially CARES provides an enhanced start up grant for shared ownership projects. The frameworks of contractors in place for legal and financial support are also a key part of enabling shared ownership projects to progress. [www.localenergyscotland.org/resources-advice/collaborative-projects/shared-ownership-opportunities/](http://www.localenergyscotland.org/resources-advice/collaborative-projects/shared-ownership-opportunities/)

Shared ownership models rely heavily on good working partnerships to succeed. CARES works behind the scenes to facilitate these and to look for the opportunities where joint working could help to smooth the way for new projects.

An industry working group has been established to help take forward shared ownership projects and a partnership portal has been developed to allow for posting and browsing investment opportunities in community renewable energy projects.

#### **The National Forest Estate**

A key partner in the success of developing shared ownership and investment opportunities is Forestry Commission Scotland with the opportunities for community investment in new wind and hydro schemes on the national forest estate, as well as opportunities for direct community ownership of schemes through the National Forest Land Scheme.

The partnership between CARES and Forestry Commission Scotland has helped to identify potential sites for new projects. Local Energy Scotland also worked closely with babyHydro using that company's mapping software capability to proactively identify potential hydro sites on the national forest estate not already earmarked for commercial development, and have helped communities close to these sites to tap into the opportunity. Some of these proposals have now progressed on to feasibility stage. [www.localenergyscotland.org/resources-advice/collaborative-projects/national-forest-estate/](http://www.localenergyscotland.org/resources-advice/collaborative-projects/national-forest-estate/)

## **CARES Supporting Community Renewables under the National Forest Land Scheme (NFLS)**

Ullapool Community Trust are developing a hydro project on Forestry Commission Scotland land at Lael Forest, which is expected to generate an income of around £50,000 per year for the local community. The project is the result of strong local support and the National Forest Land Scheme (NFLS) offer. The Trust secured a CARES grant to fund a preliminary feasibility study of two burns with potential for hydro schemes. The NFLS application was approved and the trust is now preparing further investigation work into the sites, detailed design work and financial projections. To finance this stage of the project the Trust have secured a CARES loan.

The Mull and Iona Community Trust have signed a 40-year lease for a hydro site at Allt Achadh na Moine through the NFLS. They have recently raised over £450,000 in a community share offer. The Trust received a CARES grant in 2010 for the initial feasibility studies for the hydro scheme, then applied for a CARES loan.

Although the CARES loan has a maximum of £150,000 available we never anticipated that we would need all of it, however in the end we did. The ability to convert the loan to a grant if the project failed was an attraction as it gave us a safeguard against financial loss. This was a major plus point. The support we received from Development Officers was good, although at the start I suspect we were one of the first community hydro schemes, and there were issues with the Feed in Tariff. These issues were soon rectified and the support now has been excellent. Support has mainly been arranging finance, reporting and extending finance.  
Richard Thorne, Mull and Iona Community Trust

## **Support for Co-operatives**

Local Energy Scotland have been working with Cooperative Development Scotland and the Scottish Agricultural Organisation Society to develop guidance to support co-operatives to access the CARES scheme: [www.localenergyscotland.org/co-ops](http://www.localenergyscotland.org/co-ops). This outlines the support that co-operatives and Bencoms (Community Benefit Societies) are eligible to access from CARES depending on the structure and rules of the society.

## **Developing Community Share Offers**

Local Energy Scotland have been working closely with Cooperative Development Scotland and Community Share Scotland to facilitate support to communities who are considering this option for raising finance for their renewable projects.



Several projects are now using community share offers as part of the finance package for their projects including Harlaw Hydro, Wester Derry Wind Co-op, Sunart Community Enterprise Ltd and the Mull and Iona Community Trust.

We were very fortunate to receive a CARES grant for our feasibility studies and these studies were crucial in getting the Harlaw Hydro scheme started because they confirmed that this was a project worth doing.

Martin Petty, Harlaw Hydro

A couple of other examples of shared ownership and investment are as follows:

### **Alt Dearg Community Wind Farm**

Allt Dearg Wind Farmers LLP (ADWF) is an organisation of six partners which owns the Allt Dearg Wind Farm. The partnership includes two Estates Partners who own the land, two equity partners to invest and provide commercial management, a renewable energy developer, and The Ardrishaig Community Trust.

The Ardrishaig Community Trust's trading subsidiary –Ardrishaig Renewable Energies Ltd (ARE Ltd)- was lent £300,000 from The Co-operative Bank which they then used to invest in the project to secure a 1/12th share in the £17.4m partnership. The non-recourse loan is fully secured against the wind farm, and there is zero risk to the Trust. The Trust did not obtain any Government, Council or NGO grants or loans, and all legal costs were funded by ADWF.

As the fund is variable from year to year, strategic planning is required from the community to support effective spend.



### **Neilston Community Wind Farm**

Neilston Community Wind Farm is a partnership between Neilston Development Trust (NDT) and Carbon Free Neilston Ltd. The two partners form a Limited Liability Partnership, and this joint venture vehicle owns the £15.6m Neilston Community Wind Farm. The Limited Liability Partnership is unique in its approach as community investment in projects remains a new area for Scotland's wind industry. The community and developer worked closely together to create an agreement which maximised the mutual benefit from the project and could be implemented fairly and effectively.

Following attainment of planning consent, Carbon Free offered NDT the right -with no obligation- to contribute up to 49.9% of project costs. Through loans from Social Investment Scotland, Charities Aid Foundation, Big Issue Invest and West Scotland Loan Fund, NDT were able to secure £950,000. This equates to a 28.3% share in the wind farm, and consequently NDT now owns this proportion of the project.

The four turbine 10MW wind farm was opened in May 2013 and it is estimated to generate the community over £10m over the lifetime of the project.



#### 4. Support for Community Benefits

Local Energy Scotland provides support to community groups to help maximise the gain from commercial renewables developments, whether through the creation of a community benefit fund or in-kind benefits.

CARES supports community benefit projects through:

- Free advice and support
- Signposting to the Scottish Government's Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments
- Maintaining an online register of the range of community benefit funds across Scotland, and what is being achieved with them.

[www.localenergyscotland.org/communitybenefits](http://www.localenergyscotland.org/communitybenefits)

**Carrick Futures** has been set up specifically to administer the funds from Arecleoch and from Mark Hill windfarms, which are owned by ScottishPower Renewables, and has been running since 2011.

A decision to sit alongside the local economic development plan was made at an early stage, to reflect the aims and needs of the community, and this has been well received to date. Successful projects have included:

- A community magazine.
- Funding for Girvan Youth Trust's Music Festival, organised by young people with young performers.
- Playgroups in the area have been able to develop and expand.
- Path maintenance.
- Football equipment for clubs, including strips, equipment and training.
- Fishing clubs, and support with their Environmental Impact Assessment

Girvan's Festival of Light and Lantern Parade celebrates different local themes each year and involves local workshops and school sessions, in lantern making, dance and musical theatre. It culminates in a light procession thorough Girvan followed by a fire and light display on Girvan Beach and then the annual fireworks extravaganza. Available as a free event to the whole community, the funding for this is provided by Carrick Futures and community benefit from another local windfarm. This encourages young people to get involved in arts and crafts, and brings the community together.



## 5. Support for Infrastructure and Innovation

CARES supports innovative solutions to overcome barriers that communities face in areas of constrained electricity networks through the Infrastructure and Innovation Fund. In many parts of the Highlands and Islands, connecting renewable technologies to the National Grid may be challenging, with limited capacity being available.

CARES offers support for infrastructure and innovation through:

- General support and advice
- Grant aid up to £100,000 through the Infrastructure and Innovation Fund

[www.localenergyscotland.org/resources-advice/applying-to-cares/infrastructure-and-innovation-fund/](http://www.localenergyscotland.org/resources-advice/applying-to-cares/infrastructure-and-innovation-fund/)

Examples of support provided include:

### Scottish Islands Federation

The Scottish Islands Federation have a unique project in that they are working as part of SMILEGOV, a European Funded project focusing on energy provision and planning and aimed at strengthening all levels of governance including local stakeholders. Within the Scottish cluster of islands, including Mull, Arran, Bute, Cumbrae, and the Small Isles, they are using IIF funding to train islanders to carry out their own energy audits. This will help them to explore the future energy demands of the islands to support both domestic and commercial needs.

#### Building capacity in island communities

We held our first training day last Friday in Oban. There were 12 community representatives there from 8 of the 10 communities we are working with. Everyone was very enthused about the project. We'll be able to share the video that we recorded of the training on the SMILEGOV website, so it will be accessible to others. It's important to give practical tools and knowhow that will stay with the communities, empowering them.

It wouldn't have been possible to get the project off the ground without the financial support from IIF. We were delighted to be awarded the funding. It enables people to dedicate time to the project and helps to motivate them to get involved. It has also allowed Community Energy Scotland to roll out their pioneering energy audit techniques to a wider range of communities.

We hope to be able to encourage more island communities to use this model in the future. Camille Dressler, Scottish Islands Federation



## Fetlar Green Energy

In Fetlar, Shetland, the community will use 100% of the energy generated from a wind turbine locally. There will be no export to the Grid. They hope to do this by providing both heat and electricity from the power produced by the turbine. This will operate much like a combined heat and power district heating scheme. It will involve a charging point for the community owned electric minibuss and a supply to the local primary school which will replace oil boilers with the heat supply generated by the turbine. Scottish Water are also investigating options to purchase power and use it locally. On top of all this the owner of the land where the turbine will be sited will be taking no rent for the development, instead he will make use of the locally generated heat supply.



### Fetlar Green Energy - Cares Project support

Developing a renewable project in Shetland in recent years has been a challenge given the very constrained nature of the local grid. With support from the CARES IIF fund we were first able to have a technical feasibility study done and were then supported developing the full scheme, which while grid connected can run with zero exports.

Alan Grieve our local Development Officer has been excellent, supporting us both with the application process and with advice on technical details. Where on occasion, he wasn't able to help with specific details, he was able to access the required information through his network of colleagues.

Without the funding provided by the CARES innovation fund, both for the technical feasibility study and for the project, it would not have been viable. The turbine, which will power the scheme has to be commercially funded to be eligible for the FIT. Having to fund the distribution system commercially as well, would not have been financially viable.

Robert Thomson, Fetlar Developments Ltd



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