

COMMUNITY ENERGY SCOTLAND CONFERENCE

Legal Structures for Community Renewables Projects

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Workshop facilitator –
Stephen Phillips, Head of Third Sector Team
Burness LLP

stephen.phillips@burness.co.uk

LEGAL STRUCTURES FOR COMMUNITY RENEWABLES PROJECTS

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- Legal structures – some fundamentals
- Current models:
 - Community virtual-turbine projects
 - Community share-issue renewables projects
 - 100% community-owned projects
 - Joint venture projects
- Q & A/Surgeries

Community renewables – the Holy Grail of community development?

- Key characteristic – long-term and reliable income stream, which delivers an excellent return on capital expended
- That income stream can solve the perennial issues around accessing year-by-year revenue support for essential community services etc; but also
 - can be used as the basis for obtaining loan funding for capital investment
 - can be invested to support new enterprises that will themselves create additional income streams

- Important to recognise the normal risk profile on renewables projects – high risk, and stakes continually rising, through planning, wind analysis, ecological studies etc... and *then* (assuming proven technology) a low-risk money tree
- Key requirements to get to that money tree (leaving aside issues around planning, community support etc):
 - expertise
 - money
- The various legal structures for community renewables projects are basically just different ways of creating that expertise/money mix

Wider policy issues:

- What makes a renewables project a *community* renewables project?
- What are the non-financial benefits of greater community control?
- And are the non-financial benefits worth a trade-off against potentially higher financial returns... and/or worth sacrificing the lower risk that might apply under a private-sector led model?
- **Note:** straightforward community benefit packages (inc. those varying with output) are taken to fall outwith the category of community renewables for the purposes of this workshop

COMMUNITY VIRTUAL-TURBINE PROJECTS

- Basic principle: the community “buys” one of the turbines within a larger commercial scheme
- Price for the turbine includes a share of overall costs of developing the windfarm
- Funding for the purchase may be structured as a share of the overall financing deal

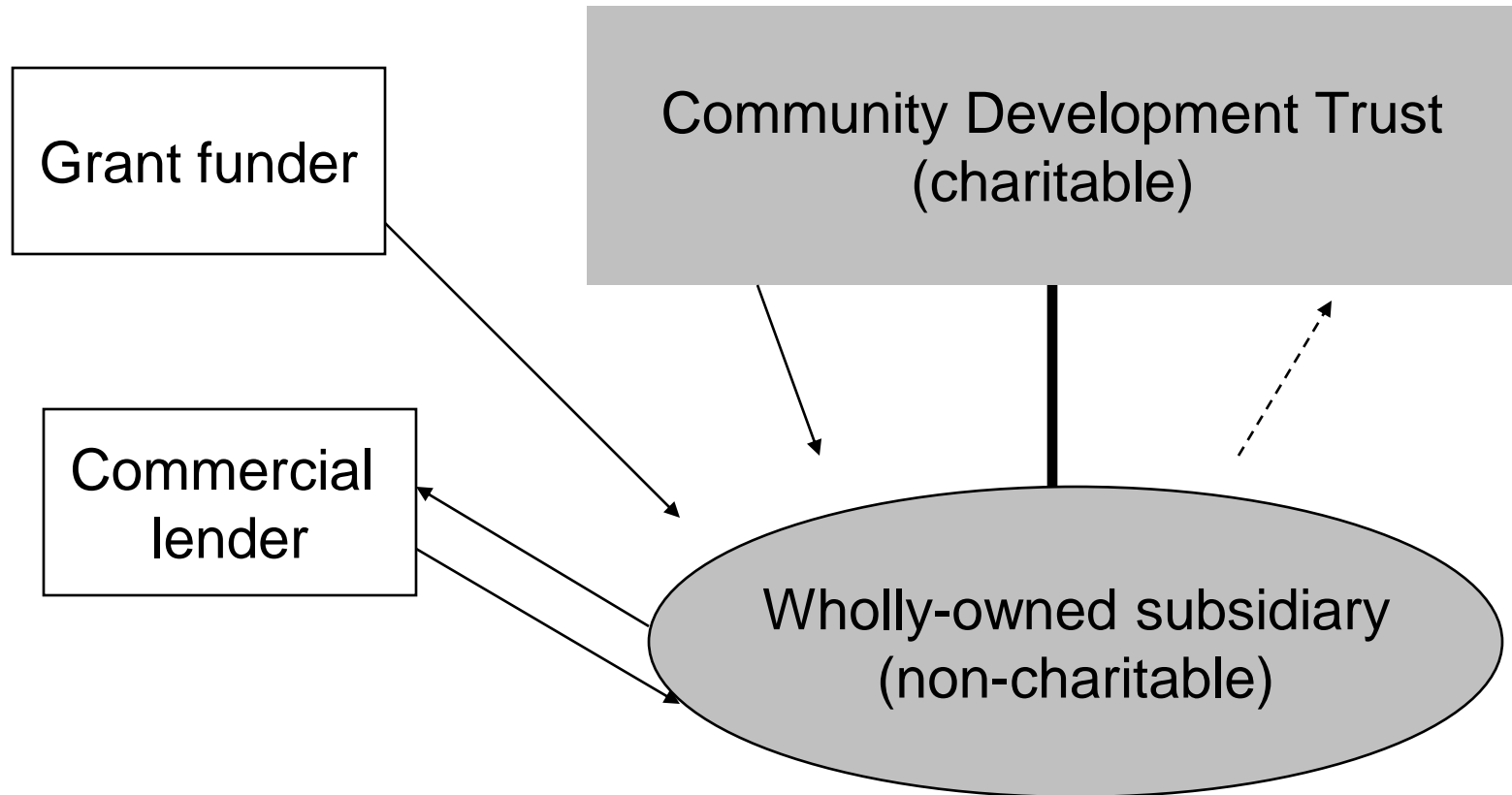
COMMUNITY VIRTUAL-TURBINE PROJECTS (cont)

- Income to the community will reflect the pattern of net returns to the private sector windfarm company:
 - lower returns during initial years, as funds are used to service the commercial borrowings; much higher returns in later years
 - returns varying with output/prices for electricity sold to the grid
- Turbine will not be a specific physical turbine, but a virtual turbine
- Transparency on financials is key
- A charitable organisation (e.g. development trust) can be used to siphon off income in a tax-efficient way

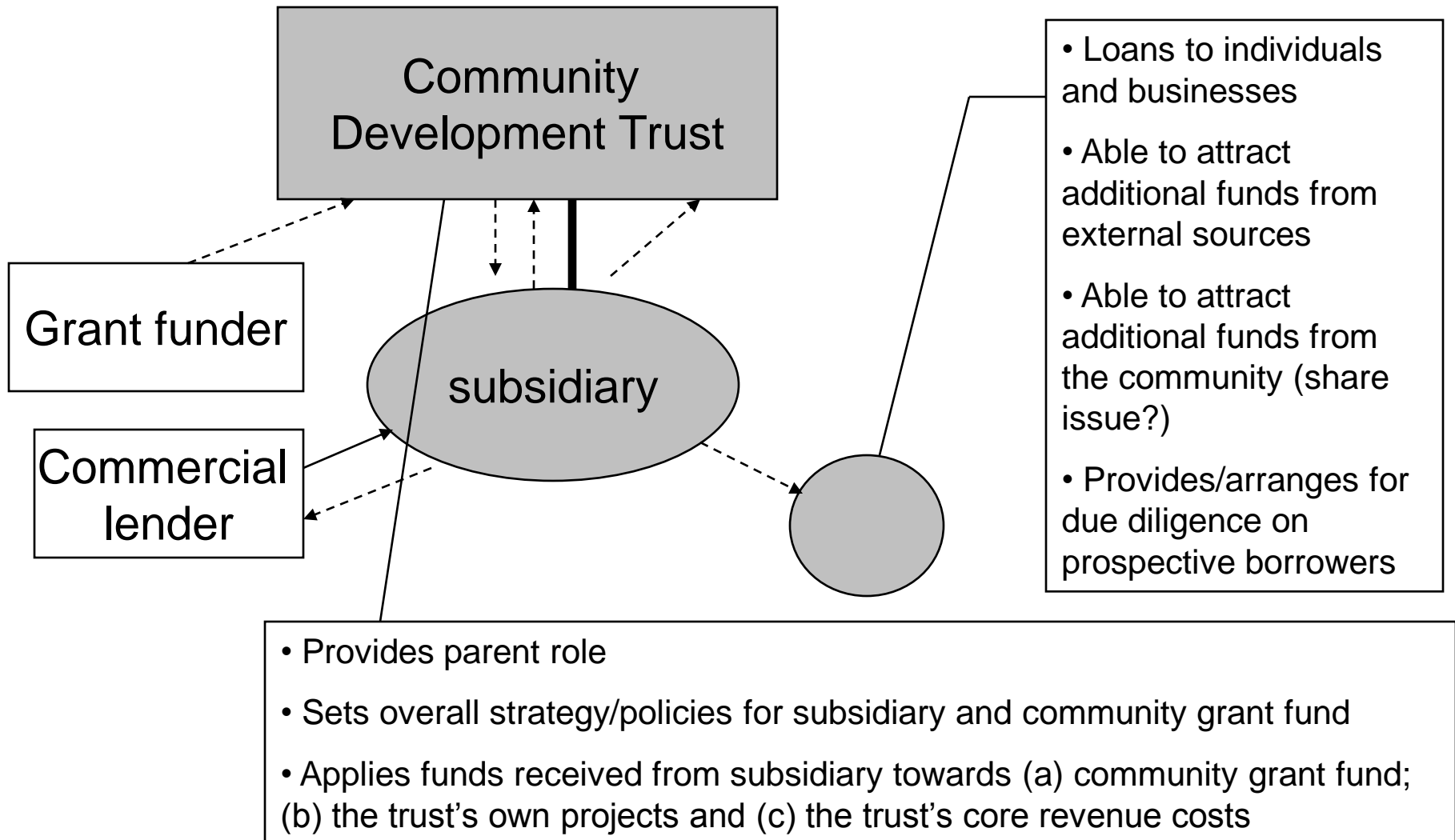
COMMUNITY SHARE-ISSUE RENEWABLES PROJECTS

- Model involves financial returns to individual members of the community (though a proportion of the income might be dedicated to a community fund or community development trust)
- An industrial & provident society is used as the vehicle, to reduce costs of FSMA compliance
- Priority given to local people in relation to the issue of shares, but some shares will be taken up by people outwith the community
- Major part of the capital funding comes from a commercial loan
- The company that supports the set-up process will of course take a fee
- Local representation on the board of the industrial & provident society

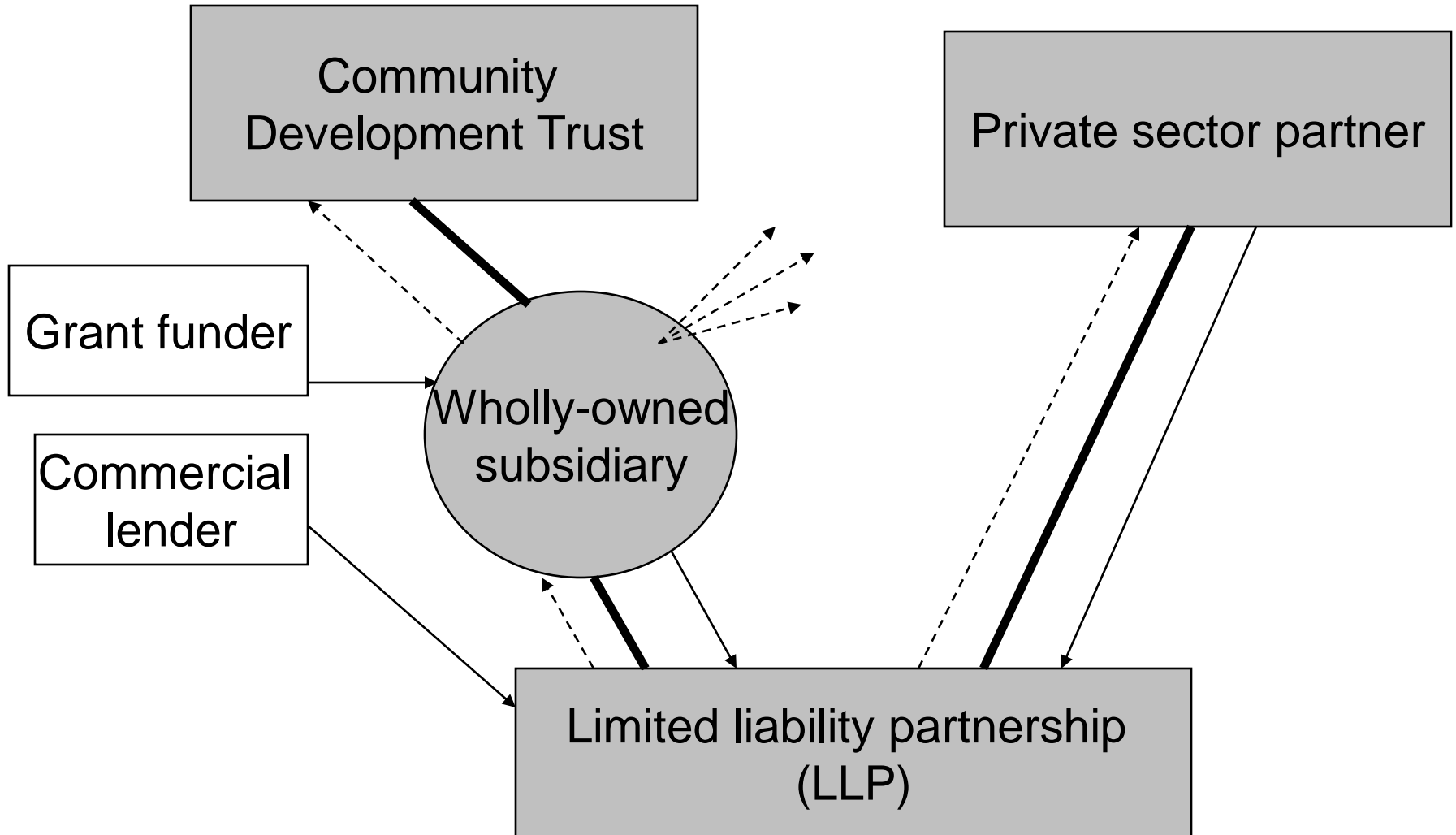
100% COMMUNITY-OWNED PROJECTS



100% COMMUNITY-OWNED PROJECTS (variant)



JOINT VENTURE PROJECTS



In summary:

- Wide variety of models, from virtual turbines to 100% owned; with differing levels of community control, sharing of financial returns etc
- Important to consider the fundamentals – key issues round risk, access to expertise, access to funds (esp through set-up phases)
- Each community will have its own objectives and priorities; and should (if circumstances permit) develop a solution that represents the best fit for their community

Questions

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