

## Ynni Cymunedol Cymru – Community Energy Wales’s submission to Senedd Cymru | Welsh Parliament’s Green economy consultation

1. Within its devolved powers, what should be the Welsh Government’s key priorities to maximise the potential economic opportunities from green economy sectors? To what extent does its current approach reflect these?

**Ynni Cymunedol Cymru – Community Energy Wales** (CEW), as a membership organisation providing a vitally important sectoral voice to community social enterprises working on energy projects in Wales, is responding to this question on behalf of the sector while recognising the wider context of the green economy consultation. We acknowledge the work already carried out by Welsh Government in this area, and its support for Community Energy Wales and Ynni Teg Community Benefit Society, the new Trydan Gwyrdd Cymru publicly owned renewable energy developer set to launch over the coming months and Ynni Cymru, the new, publicly owned energy company for Wales. With the creation of these last two companies, **Welsh Government has demonstrated it believes in the critical potential of local and community-owned energy in Wales** to help achieve our Net Zero targets and rapidly transform the existing energy system to one which is fairer to the people of Wales and offers them energy at a price they can afford.

Welsh Government aims to reach more than 1 GW of **locally owned and generated** clean energy by 2030 (and a proposal to increase this to 1.5 GW<sup>1</sup>). This community energy has been described by our members as a catalyst, generating an income stream to support other green initiatives in their area and building community resilience across renewables, energy efficiency, housing, transport, biodiversity and culture. Integrated community energy has a genuine impact on local economic resilience. It supports a circular economy, and provides a positive, practical and values-led way for people to participate in decarbonisation and support their community at the same time. However, the current funding streams supporting this activity are currently subject to contract rounds and changes in government, which is why CEW believes Welsh Government needs to **prioritise the securing of continued, long-term financial support**, including **capital grants** to enable groups to develop their own energy projects. This has the potential to **unlock explosive growth** of the aforementioned benefits to both the green economy across Wales as a whole and to our local communities.

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<sup>1</sup> <https://www.gov.wales/sites/default/files/consultations/2023-07/summary-of-responses-review-of-renewable-energy-targets.pdf>



## 2. What are the key barriers to Wales making the most of opportunities in the green economy, and what steps should be taken to overcome these?

Similar to the priorities, the key barriers in community energy in Wales involve changes of a policy nature. They include removing **market** and **regulatory** barriers in the renewable energy sector which prevent new schemes or projects and innovative shared forms of ownership and community involvement and benefit. Welsh Government should fully support the newly formed Ynni Cymru to build a coalition of support across the Welsh energy sector and to provide the structures and frameworks required for whole energy systems based on the provision of lower cost local energy markets.

**Time delays** and the **prohibitive cost of grid connections** are significant barriers for communities wishing to be a part of actively decarbonising the energy system, and Welsh Government (through Ynni Cymru) are already looking into the benefits of local energy systems being rolled out. This type of local and community energy can reduce the pressure on the grid, while capitalising on the value of local willpower, facilitating distributed generation, supporting wider community regeneration and integrating with the development of the EV market and the electrification of heat in a smart way. **Increased start-up finance – especially grant finance** – would help more projects get off the ground and progress through the early, highest risk phases. Communities being able to **access loans to participate in shared ownership** would also help to progress Welsh Government's green economy policy aims.

Community energy has largely been limited to the more rural areas in Wales, which has had an influence on the demographics of those engaged – a higher proportion of older adults sustain the work, but we need to **encourage younger generations to participate**. An **urban community energy strategy with financial and practical support** available for groups to start new projects in Welsh towns and cities will be key to getting the support of young people and those in urban areas. Such a strategy could also develop and underpin the current work being done on **Local Area Energy Plans**.

If **community energy groups were able to trade directly** with local consumers, this would **reduce their energy costs** and **finance more new generation** at the same time. Until now, the sector has been able to participate in supply agreements that help reduce costs for consumer, while maintaining revenues for the generator. **These 'sleeved' agreements need to be expanded**, especially with the public sector – where carbon reporting barriers to procuring local renewables need to be removed. Welsh Government should **push for change in the non-devolved regulation** which affects the ability to trade locally (whereby community energy providers can sell the energy they produce at a reduced cost to local consumers). Ynni Cymru should focus on this as a 'mission critical' task, including working with visibility of billing data to secure the billing solutions for local energy clubs that Licensed Energy Suppliers are currently failing – or refusing – to develop or provide.

Finally, as wholesale export to grid remains at too low a level to lever finance or support small to medium (community-scale) generation projects, **planning legislation should be reformed** so that **community ownership is regarded as a material consideration in planning applications** and Welsh Government should **require all public sector bodies to prioritise the procurement of local, community-owned energy** wherever possible.



### 3. What actions should the Welsh Government take to support development of Wales-based supply chains in green economy sectors?

Wales currently suffers from a **lack of solar PV installers** willing to install or maintain and operate sub-1 MW ground-mounted solar PV projects. This is a huge barrier to some projects, which have already received consent but are unable to proceed due to the fact nobody can install them. **Support for community-scale installers** would be a huge area of opportunity to ensure Wales leads in green renewable electricity. Private correspondence with Wales-based installers has revealed they would be able to design such projects and should be able to deal with the DNO at this scale, but that they would struggle with the project management and staff resources, looking to pull in a project manager and then **subcontract much of the work locally** rather than recruit 5/10+ additional electricians. With an experienced commercial project/site manager who could look to **procure local electrical and plant services**, such local installers would be able to use local expertise and even be willing to train up additional staff to carry out any ground works and rail systems.

As some existing renewable energy projects come to the end of their operational lives, **repowering** their assets dating from the 1990s-2000s would be a key opportunity for wind energy sites utilising refurbished wind turbines to pass into community ownership. This would both improve the life cycle of the materials, feed into the circular economy and provide turbines at reduced cost for projects trying to get off the ground. This is an opportunity for Welsh businesses to fill **gaps in the second-hand turbine supply chain at appropriate scale** and in the refurbished turbine market, which is under-developed in the UK compared to mainland Europe.

One of Community Energy Wales's local social enterprise members has highlighted it is vital we remember that supply chain does not fit within any one government department: supply chains work geographically at community and inter-community level, through agriculture, energy, food, trade, education, care and transport. A refreshing redesign will be needed, **place by place**, which takes into account all the sectors in combination and can be implemented across both a specific and wider geographical area.

4. What skills challenges exist in relation to transitioning to a green economy? What actions should be taken, and by whom, to ensure the skills are there to meet the growing demands of a green economy?

One of the most important levers Welsh Government has at its disposal is the ability to coordinate and connect with a range of different sectors in an attempt to increase the attractiveness of employment in the field and encourage young people to consider a career in the green sector. Job fairs could take place regularly across each region in Wales, including everything from sole traders to local businesses and multi-nationals. The onus needs to be on **inspiring the next generation**, and the only way to do this is to provide their teachers with a better understanding of the sector and future potential. One of CEW's members has raised the issue that the provision of ICT training to the level that jobs of the future need is almost invisible in Wales.

Many green jobs of the future are going to be self-employed or small businesses, and with 94.6% of the total enterprises in Wales being 'micro-enterprises'<sup>2</sup> (i.e. employing between 0-9 employees), both business skills and green skills will be essential for the future Welsh workforce. Nowhere in the field of education currently provides for this reality.

In *Prosiect Sero Net Gwynedd*, for example, one of CEW's members is also working to train local people up in 'green skills' – specifically energy advice, domestic and non-domestic energy assessment – and is supporting work on projects around retrofit. North West Wales is facing a serious lack of people with sufficient expertise in these areas at present, and while there are many grants available that provide some of the funding necessary to upskill local people, there are many challenges: recruitment, as people need to understand what they are signing up for and the value of undertaking such training; funding, as people are unwilling to leave more secure jobs or trades to join a programme with one or two-year funding; plus there are also issues with retaining people once they have earned their qualifications. The existing funding schemes such as ECO4 often govern procurement in such a way that small, local installers are unable to meet the criteria (CEW has been made aware of skills shortages across Wales in the following schemes/accreditations: RECC - Renewable Energy Consumer Code, MCS - Micro-generation Certification Scheme, BSI - British Standards Institute - PAS - Publicly Accessible Standard 2030 and 2035 respectively, IAA - Installation Assurance Authority, BBA - Competent Persons Scheme, TrustMark / QualityMark, MasterBuilder, INSTA Group, HIES and Insurance Backed Guarantee - The Home Insulation & Energy Systems Quality Assured Contractors Scheme, National Insulation Association and CITB - Construction Industry Training Board). As an example of combatting this skills gap, our member *YnNi Llŷn* is seeking to create an umbrella to upskill local installers, which will bring better service to local people and ensure that more of the economic benefit from ECO4 measures actually lands in the local economy. Welsh Government could and should support scaling up and replication of such initiatives. It is also clear that **education and information about 'green' skilled jobs needs to be made clear to young people** (as young as 13 when choosing their GCSEs) when deciding on their career options and that they are seen as (and *are*) good, stable career options.

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<sup>2</sup> <https://www.gov.wales/size-analysis-businesses-2023>



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Finally, there are clearly some other issues around the term 'Net Zero', with many people feeling it is **unjust** and will put the **already struggling at even more of a disadvantage**. To name one example, people in rural areas across Wales cannot easily get around without a car, and there is real fear they may be forced to. We suggest this lies with the current communication around the term from Welsh Government, but this is much deeper than just messaging: people need **tangible evidence that they will not be left behind**, and that their worries and fears will be listened to and taken seriously.

5. What will workers and employers need for a just transition to a Net Zero economy to be achieved, and what actions should the Welsh Government take to deliver the elements of this that lie within its devolved powers?

CEW recognises the degree to which the narrative around a Just Transition in the energy sector has focused on the impacts on businesses and workforces needing to change their operations and skills from a high carbon to a net zero economy. As our Just Transition statement<sup>3</sup> illustrates, the focus of the community energy sector is somewhat different: **we are not invested in carbon intensive activities, but instead focused on securing the local economic, circular and social benefits of the democratising power of community-owned renewable energy generation, storage and distribution assets.**

The community sector does suffer from a lack of skills (please also refer to our response to Question 4), with many jobs requiring an unusually diverse skillset spanning technical, communication, governance and engagement skills. Long-term support and investment are needed to bring such people into our sector. This is visible to some extent in the positive impacts of Ynni Cymru and the awarding of resource grants to a number of CEW member social enterprises, as well as in the expansion of Community Energy Wales and Ynni Teg, currently funded by Welsh Government. However, these grants are due to run out in the next 12-24 months, and this does not fit the timeframe required to get enough new generation in place to secure jobs for the longer term. It is critical that Welsh Government recognises that “community projects installed [...] offer between 12-13 times as much community value re-invested back into local areas as would be achieved through 100% commercial models”<sup>4</sup> and **ensures that financial support is not discontinued**, putting all the progress and work invested to date at risk.

The main challenge for the future workforce itself (employer and employee alike) will be ensuring a **smooth transition of careers for professionals and tradespeople in mid-life** as the transition to Net Zero progresses. This will involve providing them with all the necessary support and benefits to undertake such a change in career that need to go above and beyond just the existing personal learning accounts (PLAs) in place designed to train people in new skills acquisition.

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<sup>3</sup> <http://www.communityenergYWales.org.uk/ycc-login/resources/just-transition-position-statement-1.pdf>

<sup>4</sup>

[https://assets.publishing.service.gov.uk/media/5a7c1b9640f0b645ba3c6bd6/20140108\\_Community\\_Energy\\_Modeling\\_FinalReportJan.pdf](https://assets.publishing.service.gov.uk/media/5a7c1b9640f0b645ba3c6bd6/20140108_Community_Energy_Modeling_FinalReportJan.pdf)



6. How will the Welsh Government need to work in partnership with others to realise the potential of the green economy and deliver a just transition? To what extent is the partnership working that is needed being undertaken?

According to the UN Environment Programme, a green economy is defined as **low-carbon, resource-efficient** and **socially inclusive**<sup>5</sup>. To make full use of the potential of the green economy and deliver a just transition holistically and across all levels of society and within organisations and to ensure better outcomes for all, Welsh Government needs to work in closer partnership with local areas to develop the workforce and projects, and to change behaviour: civil servants and ministers still invest too much time and place too much emphasis and investment on trying to attract large international companies, whereas the focus should be on ensuring lasting employment is created locally using community cohesion as a key to success.

The relationship between Welsh Government, councils and the third/community energy sector needs to be strengthened, **moving from a mere supply-based arrangement to partnership** – community energy can be the vehicle to release benefits to the community and money from the profits to reinvest directly into the communities, becoming **key in regenerating our villages and towns**. Community Energy Wales's Just Transition policy position paper clearly explains how energy groups would be able to install generation at scale if public bodies committed to buying their energy from them. Local councils, Welsh Government and other public bodies should prioritise community energy procurement in recognition of the added value from our sector. This can be achieved through a flex power purchase agreement, sleeving contract and/or a larger-scale Energy Local agreement.

Welsh Government will need to **work closely together with Ynni Cymru to focus resources on unlocking these critical market barriers**, rather than diluting efforts into services that might duplicate the work of existing community organisations, Community Energy Wales and the Welsh Government Energy Service.

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<sup>5</sup> <https://www.unep.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency/green-economy>



7. The Welsh Government says it will face considerable budgetary constraints in the short term. How should it prioritise investment to support development of the green economy over the shorter and longer-term? What innovative approaches to financing could be considered to maximise potential investment and benefits?

In the current landscape, large-scale decarbonisation projects (such as established renewable energy technology, onshore wind and solar and battery/storage systems) face few or no barriers. Shared ownership models based on a community share raise for an equity stake, however, are not capable of securing sufficient shared ownership stake, meaning **additional and innovative finance models** will need to be found. Evidence around this topic has recently been secured by the Welsh Government Energy Service in a report commissioned to independent corporate finance adviser QMPF. In this report, finance innovations such as a **'patient' underwriting** of equity stakes is mentioned as a potential way of ensuring long-term success for all stakeholders: developers, funders and community projects alike.

At this point Community Energy Wales would like to reiterate the findings of a former Department of Energy and Climate Change report stating that community projects can "offer between **12-13 times as much community value re-invested back into local areas** as would be achieved through 100% commercial models,"<sup>6</sup> clearly maximising both investment and returns in a way which pure profit-driven commercial models cannot. CEW's core mission is to support and accelerate the transition to a fair, net zero and community-led energy system. This is based on an overarching vision that **communities should not only participate in, and shape the energy system**, but also that **Welsh communities retain benefit from the energy transition**. Supporting innovative finance to implement and promote **local energy trading** and **whole energy systems** will address the multi-vectoral wicked problems by maximising and democratising power, while maximising both local and national benefit. This model of just transition facilitates distributive and procedural justice. As well as being able to benefit from community owned energy generation and distribution, we want to **maximise citizens' involvement and shared participation in energy decision-making and governance**. People's active involvement in their local community energy groups helps to do this and we are working for more people to get involved. Furthermore, the community energy sector addresses both energy and social justice through community benefit funds in response to identified local need. The community projects funded are often **catalysts in providing a wider range of local sustainability initiatives** in communities.

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[https://assets.publishing.service.gov.uk/media/5a7c1b9640f0b645ba3c6bd6/20140108\\_Community\\_Energy\\_Modeling\\_FinalReportJan.pdf](https://assets.publishing.service.gov.uk/media/5a7c1b9640f0b645ba3c6bd6/20140108_Community_Energy_Modeling_FinalReportJan.pdf)