

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA
Via email to: SeneddEconomy@senedd.wales

4th September 2024

Dear Paul,

To maintain the momentum on addressing the Committee's recommendations regarding the ETRA committee report on the Development Bank of Wales, I have set out below some progress on the items discussed in the report.

Recommendation 4 – Community Energy Schemes – Please find attached a briefing paper on our activity to support for local ownership in renewables.

Recommendation 6 - Accounting Treatment – Whilst this is a matter more specifically for our colleagues in Welsh Government, we have also initiated a conversation with our counterparties in other similar arm's length funding organisations inc. inter alia, British Business Bank, Scottish National Investment Bank, and Invest Northern Ireland to ensure there is a consistent approach to the treatment of these organisations that supports their stated objectives.

Recommendation 13 - Montreal Group – We are continuing the dialogue with the Montreal Group about closer co-operation. Following recent conversations, the Group feel that is unlikely that they will be able to offer full membership to regional development banks preferring to keep full membership to the national organisations.

We are making further progress on recommendations 3, 8 and 11 and will revert with further details as soon as possible.

Please come back to us if you have any questions or need more information on any of the matters discussed.

Yours sincerely,



Giles Thorley
Chief Executive

Development Bank of Wales Plc

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Support for local ownership in renewables

Briefing note for the Economy, Trade and Rural Affairs Committee
August 2024



The Local Energy Fund

The Development Bank of Wales supports local ownership in renewable energy projects through commercial finance provided from the £12.5 million Local Energy Fund.

The funding is provided by the Welsh Government and is managed by the Development Bank in conjunction with the Energy Saving Trust, directly supporting the Welsh Government's policy for 1 GW of renewable energy generation capacity to be locally owned by 2030. This fund can support a range of local ownership models including community groups and social enterprises to develop renewable energy projects.

As at March 2024, the fund has invested £11.6 million to 14 projects across Wales through project development loans, and capital expenditure loans. To date the fund has typically supported solar and wind projects developed by local community groups through patient capital. Support takes the form of long-term loans of up to £2m (larger by exception) and 9.37MW of capacity been recorded across projects supported.

For FY25 the Development Bank is exploring whether a Subsidy Control registration of the scheme might increase the number of viable projects we are able to support, through the ability to allow more flexibility in the funding offer such as the related interest rate charges. In addition, the Development Bank will explore working with the newly formed Ynni Cymru to maximise the availability of capital for local energy projects across Wales.

Case Study

Supporting local ownership of large onshore wind projects

The Development Bank has initiated discussions with most of the major wind developers with projects in Wales to understand the role we could play in ensuring local ownership in these larger projects. We have had positive engagement through round table discussions¹, direct discussions as well as through support organisations such as Community Energy Wales.

There is no standard approach across the industry and these projects are on long timescales (5-10 years from prospect to funding need). We are seeking to understand models where funding can be provided to a community group enabling it to take the local ownership or funding could be provided directly with the Development Bank taking an equity position.

One of the most advanced models appears to be the Y Bryn scheme by Coriolis Energy who have signed memorandums of understanding around the creation of a community benefit fund and a community ownership model. Working with local voluntary organisations, the scheme will involve creating a new community benefit society called "Awel y Bryn Co-op" which will be managed jointly by Awel Aman Tawe, Bridgend Association of Voluntary Organisations and the Neath Port Talbot Council for Voluntary Service. We have reached out to the company to explore the detail of this model and whether there is a role for the Development Bank to enable this in the wider market. We are also in touch with the Scottish National Investment Bank who are also exploring options to meet this funding need.

We are engaged with local developers, such as Pennant Walters, on their projects. The capital markets have become more challenging in recent years for small developers, with the change in the feed in tariff. We are therefore considering whether this change has created a market gap.

¹Round table attendees included; RWE, Vattenfall, Belltown, Statkraft, EDF and Bute Energy. Direct discussion with Pennant Walters.