

ALLT DEARG COMMUNITY WIND FARM CASE STUDY



OVERVIEW

COMMUNITY GROUP: ARDRISHAIG
COMMUNITY TRUST
DEVELOPER: ALLT DEARG WIND FARMERS
LLP (ADWF)
DEVELOPMENT NAME: ALLT DEARG
COMMUNITY WIND FARM
YEAR OF COMMISSION: 2012
SIZE: 10.2MW (12 TURBINES)

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.

BACKGROUND

The Ardrishaig Community Trust's trading subsidiary – Ardrishaig Renewable Energies Ltd (ARE Ltd)- received £300,000 in loans 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.

The “purchase” price of the Ardrishaig Community Trust's 1/12th share of the project was costed at 1/12th of the projected build price - a substantial discount from market value. This arrangement was agreed prior to the planning process.

Since the estimated profit and cash generation was high due to an excellent wind resource, it was slightly easier to secure the funding for the Trust's purchase of the 1/12th partnership share. Allt Dearg is unique in Scotland as it is the only community renewable energy project funded entirely by commercial investment and loans.



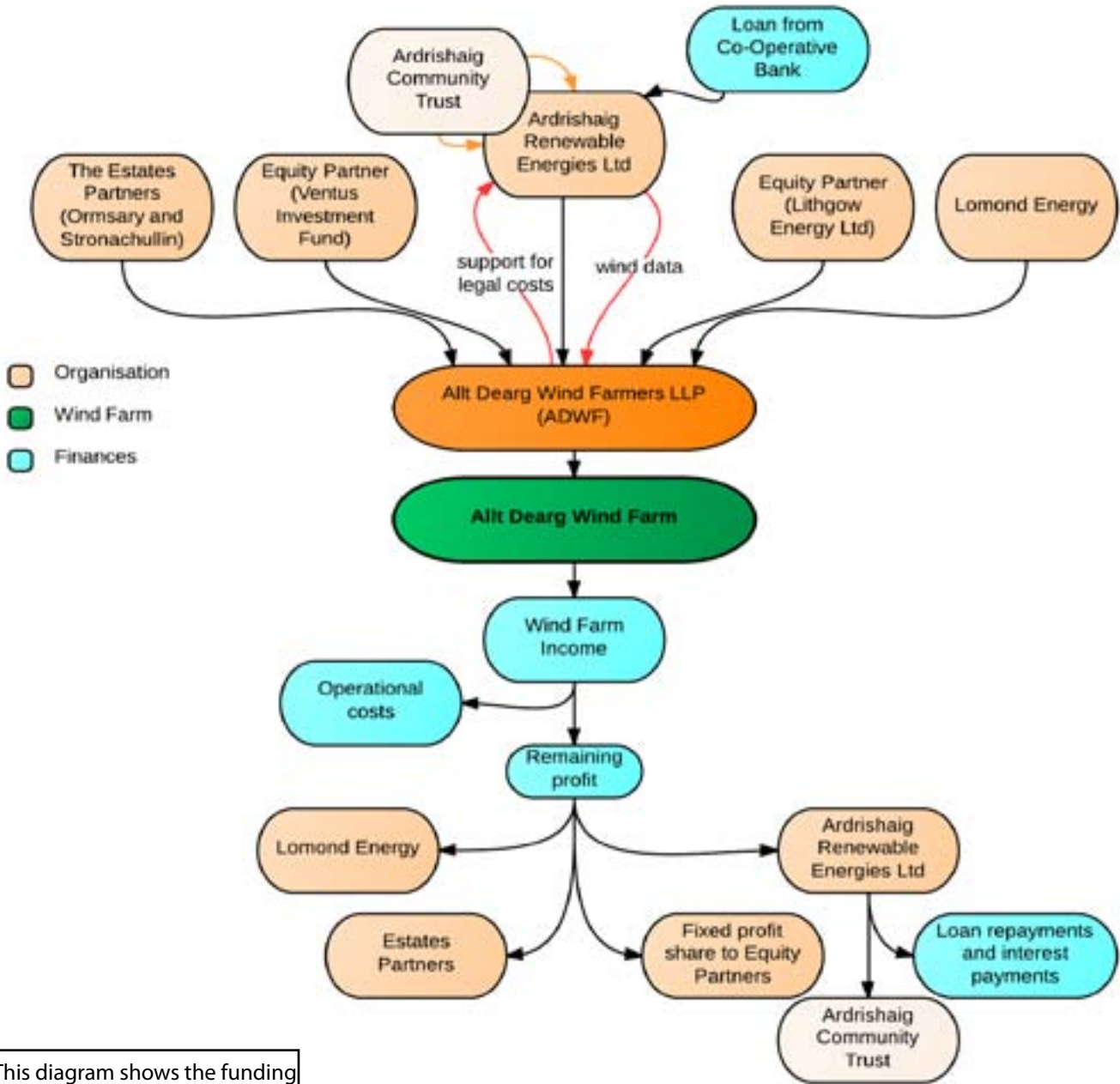
The project is estimated to generate around £100,000 for ARE Ltd in early 2014, with the return increasing each year as the bank debt is repaid.

The project was conceived when RWE NPower Renewables were denied planning permission for a large scale windfarm in the area. The local landowners were faced with the decision of how best to progress the development, and chose to undertake the project themselves.

Ardrishaig Community Council approached the group with the intention of owning an additional turbine. It became apparent that it was practical for the community to own 1/12 of the overall windfarm rather than a discrete turbine. After planning was granted, external funds were sourced from Ventus Investment Funds. The wind data was provided free of charge to the Trust from RWE NPower Renewables' previous unsuccessful planning application.

The value of this wind data contributed to the Trust's payment of their partnership share, which reduced the amount of cash the Trust was required to invest. Neighbouring communities now hope to be involved in a similar nearby project.

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This diagram shows the funding structure of the project—the six partners supplied financial and non-financial contributions to the development.

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SUCCESSSES TO DATE

Pre-planning development requires a great deal of work, and the Allt Dearg windfarm had a great advantage in that much of development work had been previously completed by RWE NPower Renewables, saving the project around £250,000. The design of the unsuccessful planning application was revised and reduced in scope to decrease the overall footprint of the development. The resulting windfarm gained planning permission and local acceptance of the scheme is now much stronger. The wind data showed an expected capacity factor of around 45%, suggesting an extremely strong wind resource which will translate to excellent income for the partners.

The community's involvement with the development was a straightforward and successful process. The Ardrishaig Community Trust was already in existence, which made the process considerably easier. One individual within the Trust was the agreed point of contact for the community and the existing organisation was an excellent vehicle to progress initial discussions. The enthusiasm and resolve within the community was essential to the project's success, and the amount of hard work and time required should not be underestimated. Having a passionate and committed volunteer resource allowed the group to become an active partner in the project rather than a passive beneficiary of community benefit payments.

The development is now locally controlled, with local and community ownership, ensuring that the local economic and social benefits are maximised. Over £3million was invested in local contracts through construction work and manufacturing of turbine components. The revenue created during the lifespan of the project will support and maintain local jobs and homes.



WHAT HAS BEEN LEARNT

In starting the project, there was no clear knowledge of how the model would evolve, due to the innovative nature of the project. The partners have worked together to ensure a mutually satisfactory outcome, but the path was not clear at the outset. It is vital to have a strong and flexible working relationship between the partners and a commitment to delivering the project, despite any uncertainty.

There was a great deal of unexpected work in meeting the criteria required for the Co-Operative Bank. The Co-Operative Bank have clear guidelines and the Trust required a degree of restructuring to meet their requirements. However, now that this has been undertaken, funding applications to the Trust and the general governance of the Trust will operate smoothly, effectively and fairly over the lifetime of the project. Now moving forward, the Trust are co-operatively owned, the use of the funds will be published openly.

James Lithgow of Lithgow Energy Ltd said:

“People are coming together and trying to make things a little bit better for one another”

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BENEFITS OF THE PROJECT

Part of the Co-Operative's criteria is focused on how the income from the turbine will be spent. The development plan which had been in place needed some revision to meet requirements in advance of the first turbine payments. There are certain conditions attached to the fund, to ensure that the revenue contributes to the benefit and development of the people of Ardrishaig. All spend will be accounted for through an open and transparent process. The fund will be focusing on the development and regeneration of Ardrishaig for the local community and wider public, and will be guided by the principles of sustainable development.

Unlike community benefit payments the fund is variable from year to year requiring more strategic planning from the community. There will be a need to prioritise projects in advance, to prepare for fluctuations in wind energy and the corresponding electricity production and income.

With this in mind, the Trust will support both short-term immediate needs in the community, and longer-term projects. Most of these projects will be within the immediate Ardrishaig community boundary, but there is a region-wide fund also supported – an annual payment of £30,000 is made to the Allt Dearg Educational Trust for the Mid-Argyll and Cowal area. This fund will support higher and further education for young people in the area.



This case study has been created under the Scottish Government's
Community and Renewable Energy Scheme.

The Community and Renewable Energy Scheme is delivered on behalf of the Scottish Government
by the Local Energy Scotland consortium:

