



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 9 May 2012

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CONTENTS

	Col.
RENEWABLE ENERGY TARGETS INQUIRY	1423
ANNUAL REPORT	1472

ECONOMY, ENERGY AND TOURISM COMMITTEE

15th Meeting 2012, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*John Wilson (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

Rhoda Grant (Highlands and Islands) (Lab)

*Patrick Harvie (Glasgow) (Green)

*Angus MacDonald (Falkirk East) (SNP)

*Mike MacKenzie (Highlands and Islands) (SNP)

*Stuart McMillan (West Scotland) (SNP)

*John Park (Mid Scotland and Fife) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Dr Colin Anderson

John Booth (Eigg Electric Ltd)

Alan Hobbett (Gigha Renewable Energy Ltd)

Ken Hunter (MEG Renewables)

Murdo MacDonald (Rosneath Peninsula West Community Development Trust)

Dr Nicola McEwen (University of Edinburgh)

Mike Pitman (Boyndie Wind Farm Co-operative)

Steven Watson (Community Energy Scotland)

CLERK TO THE COMMITTEE

Joanna Hardy

Stephen Imrie

LOCATION

Committee Room 5

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 9 May 2012

[The Convener opened the meeting at 10:01]

Renewable Energy Targets Inquiry

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the 15th meeting in 2012 of the Economy, Energy and Tourism Committee. I welcome all members, whom I ask to be quiet during my opening remarks, our witnesses—I will introduce them in a moment—and visitors in the public gallery. I remind members to turn off their mobile phones and BlackBerrys. We have apologies from Rhoda Grant.

The first item of business is the continuation of evidence taking for our inquiry into the Scottish Government's renewable energy targets. I welcome our first panel of witnesses. Starting on my left, we have Steven Watson, corporate manager of Community Energy Scotland; Ken Hunter, business development manager for MEG Renewables; Dr Nicola McEwen, co-director of the institute of governance at the University of Edinburgh; and Dr Colin Anderson, consulting engineer.

Before we go into questions, do any panel members wish to make a brief introductory statement?

Steven Watson (Community Energy Scotland): I just welcome the opportunity to be here today and to answer any questions that the committee has.

The Convener: Thank you for coming.

Members have a variety of questions on different subjects. Some of them will be directed at particular panel members, whereas some will be more general. Please do not feel that you all have to answer every question, otherwise we could be here for quite a long time. If you want to respond to a question, just catch my eye and I will bring you in.

We start by looking at planning, which is of concern to a lot of the witnesses from whom we have taken evidence. I invite Mike MacKenzie to ask the first question.

Mike MacKenzie (Highlands and Islands) (SNP): Before I start, I should perhaps mention

that Colin Anderson and I have been friends for 40 years or so.

I was interested in the idea in the written submissions that there is significant variation from one local planning authority to another. I think that most of the panel indicated that that is a problem. I found very interesting the statement by Community Energy Scotland that, in that regard, it has had a "100% success rate" in the projects that it has supported. I am interested to hear a wee bit more about that. Is it because you are good at picking winners or because you avoid difficult planning authorities?

Steven Watson: The success of the limited number of projects that have gone forward was based on the fact that the communities in those areas were very keen on the projects. A community proposal is never as speculative as a commercial proposal.

We see commercial proposals coming forward and bunging up the planning system, which can delay community ones as well. However, the main issue is that for a community proposal to get to the stage of a formal submission to planning, a community will already have done a lot of consultation and its proposal will already have garnered a lot of support. The proposal will also be of a scale that is likely to be acceptable to the people in the area, and the community will be keen to demonstrate that its proposal should be supported by the local planning authority.

Mike MacKenzie: I was interested to hear Communities Against Turbines say at a previous evidence session that, in general terms, it is supportive of community projects and would not oppose them. However, I have experience to the contrary, and I am aware of a number of quite contentious community applications in the Highlands and Islands region, which I represent. That is why, while I do not doubt what you say, it strikes me as a wee bit odd.

I am concerned that whereas some communities do very well and harness the benefits of renewables opportunities, others are being left behind, due to difficulties alluded to in the written submissions, such as planning issues. Does the panel share my concern that some communities might become unsustainable because they are unable to take up those opportunities?

Steven Watson: On your first point, many of the successes so far have been in island communities. It has been easy to define such projects and to identify the support that there has been for them. Contention creeps in to a greater extent with mainland turbines. Although we have successful developments on the mainland in Udnay and—soon, we hope—in Fetterangus, it is harder

when a community turbine does not have that island focus.

The answer to your second question is yes: unless they have access to—generally—recently retired community activists, some communities will certainly be left behind. We need a strong volunteer base and strong individuals who are willing to put their name and reputation on the line and the work in at the kitchen table of an evening; otherwise, these things do not happen.

Dr Nicola McEwen (University of Edinburgh): Mike MacKenzie's question perhaps hints at the issue of class differences in communities and more progress among more advantaged communities. I have heard those concerns aired elsewhere.

Communities that have people with more professional skills or which are better resourced will inevitably be among the front-runners because they have the capacities already. Organisations such as Community Energy Scotland have an essential role to play in skilling up or providing the expertise that can help other types of community groups navigate the planning process. However, there is a genuine concern that there is a difference between the types of communities that are benefiting and those that are not.

Dr Colin Anderson: I do not have anything to add.

Mike MacKenzie: More than one written submission has recommended a national analysis of the performance or practice of various planning authorities—to try to ensure greater consistency, I suppose.

The committee took evidence from Fife Council and I was greatly impressed by what it called its renewable energy route map. Although that was not a planning document, it seemed that Fife Council's approach was that if we are to meet our energy targets, it would expect to play a part in generation capacity and so on in Fife.

Is there a sometimes a lack of coherence between local authorities' renewable energy action plans or development plans and their planning policies?

Ken Hunter (MEG Renewables): We have certainly encountered the issue, as we said in our submission.

There is a lack of transparency. It would be beneficial if there was visibility on how each local authority is performing in relation to approval rates, timeframes and so on. I do not know how easy it would be to provide such transparency. We raised the issue with the renewable energy roadmap team at the Scottish Government, at a meeting a few weeks ago. We had thought that the e-planning system might allow that to happen,

but apparently it is not that simple. I am not an information technology expert, so I take the team's word on that.

We hear a lot of local authorities saying, "We're full up now," or, "We're doing our best," but if performance was a bit more visible we would be able to see what the processes are like across the country and how long it is taking for decisions on applications to be made. In some cases, it takes many years to get a decision. There is a queuing system, so an application suffers if it comes behind a complicated case.

Some areas get things through much more quickly than others do. There are good and bad examples. We do not want to highlight the baddies; we just want an indication of areas of best practice. It would probably also be useful to highlight where a lack of resources is having an impact. We know that planning departments are struggling, given the number and scale of applications. Some are better than others. Transparency might help planning departments to make their case, say that they were really struggling and ask for help from within or outwith their part of the world.

There would be value in making the system more transparent. We hear about capacity studies and so on. Mike MacKenzie asked whether what happens in practice matches the policy statements; we doubt that that is the case. There is a huge disconnect between Scottish Government policy, which I guess feeds down to the local authority level, and our experience of what happens on the ground. I am talking about the sense of obligation to work in line with Government policy—sorry, I am just rambling now, but I think that I have summed up our position.

Mike MacKenzie: When we heard from councillors who represent local authorities, it struck me that their evidence was largely anecdotal. Would our planning system benefit from a far more rational approach? Whether we do it through e-planning or in some other way, should there be a more rational analysis of what each local authority ought to contribute to the overall energy supply and a more rational means of measuring reasonable capacity for each local authority area?

Ken Hunter: There absolutely should be. In our submission we said that it would be interesting to add up the notional capacity of each local authority and see whether the total matches the Scottish Government's target. I have doubts about that, but there is no visibility in that regard, so we do not know.

Patrick Harvie (Glasgow) (Green): I will join the dots between two subjects that have come up. We are talking about local authorities' role in

planning. Should we be asking much more of local authorities than just that they administer the system? Should we be expecting them to provide capacity for communities that have not yet been able to come forward?

The issue relates to a point that Colin Anderson made in his written submission, on whether the Government should have a stake in an energy company, as happens in some places. Would it be better if that took place at local government level, with each local authority establishing its own company, as some have done south of the border? There could be a range of different relationships between the private sector, the community ownership sector and the purely public sector. That could be a mechanism not only for bringing in the revenue from developments but for sharing the approach with areas that have not been able to drive it forward themselves.

Dr Anderson: I understand that Orkney Islands Council has a stake in one of the wind farms that has been built recently—I cannot remember which one, but it is one of the bigger wind farms in the Orkneys. That is perhaps because Orkney has been at the forefront of wind energy development in Scotland. I know of no other local authority in Scotland that has identified such an opportunity. We must be the only country that does wind energy that does not take such an approach. Our approach is unusual.

A lot of commercial developments in Scotland involve state ownership by other countries—Vattenfall, Statkraft, RWE and EDF Energy all have some level of state ownership. The only country that is seemingly not allowed to have state ownership in renewables is our own. That seems an anomaly.

10:15

Patrick Harvie: Will the other witnesses comment on the additional role that local government could fulfil?

Ken Hunter: I can see some positives, and there is a need for a more strategic approach. However, there is a risk of conflict—or accusations of conflict—or favouritism, with Government-backed schemes getting approved and private schemes not getting approved. You could get into a can of worms there.

At the moment, we are not sure what determines which applications go through and which are rejected. Mike MacKenzie used the term “anecdotal” a moment ago, which is bang on—there are lots of stories about cases going through. There is a danger that we would get back into that territory. If there is X amount of capacity left, which projects get through? It could be the projects that are backed by the entities that you

are talking about. That may not be a level playing field.

Dr McEwen: Local authorities have a potentially important role in helping communities organise themselves. We have spoken to private sector representatives who sometimes find a real obstacle in trying to consult and negotiate with communities that might want a stake in a commercial development: communities do not have the organisational capacity behind them, but local authorities could help with that.

It is important that we acknowledge that there might be tensions between local authorities, acting on behalf of sometimes very large areas, and smaller grassroots communities. We have seen that emerging in different parts of the country, where there are tensions about who represents the community, and who gains and benefits. That is something to bear in mind.

Steven Watson: Local authorities could try to put across the idea that, for locally owned—whether by a farmer or a community—small or medium-scale renewable developments, the only point of contact is not an adversarial planner, but someone in the local authority who is looking at economic development and the social benefits of these developments, as happens in Fife Council with its route map, and not just holding them up with bureaucracy. I have personal experience—which is not anecdotal—of a local authority that has been positively obstructive in relation to photovoltaic arrays for urban buildings. That is not helping—we need PVs on urban buildings that are community facilities to allow them to cut their bills and encourage them down energy efficiency routes. The only folk that we are dealing with are in planning and building control.

Empowering local authorities to gather data or look at the social and economic outputs of these projects will save them money in the long run. The groups will not be looking for handouts every year. They will be looking to generate their own income and power, and they need some help from local authorities with that.

Patrick Harvie: On the relationship between local ownership and community ownership, the target covers both. When I have asked the minister to unpack the balance between local ownership and community ownership, I have sometimes found ambiguity. Ought the Government to strike a balance between those two things, and should the target be more specific? Should the Government require a community stake in commercial developments, which would be one way of ensuring that community ownership is more prominent in the target?

Dr McEwen: On your first point, yes—absolutely. Last month's Energy Saving Trust report estimated that, of the 147MW of capacity that is already operational, only 13 per cent is community owned. The rhetoric around the target is often about community ownership, but community ownership is actually contributing a small amount of the overall target so far. The target would be more transparent if it were unpacked.

I am slightly concerned that, in a drive to ensure that a target is met, the widespread opportunities that community ownership opens up, and positive attitudes towards renewables more generally, might be lost.

Ken Hunter: On the second point about a community element being compulsory, that might be absolutely fine for larger-scale developments, but it does not seem appropriate for a single turbine that a farmer is putting up. Perhaps there needs to be a banding above which that approach is applied.

Patrick Harvie: When I mentioned commercial developments, I was implying larger-scale developments.

Ken Hunter: I suppose that one of our issues is that commercial developments are perceived to be larger-scale ones: there is the small scale and the large scale but no middle scale. That is an issue for planning people, who have to take their pick. If something is not a very small turbine, it is categorised as a wind farm and the hands go up. We certainly suffer from that, and the costs involved are similar. It would be good if there was recognition of multiple categories and of what Nicola McEwen said about the distinction between the community and others. Finance will be involved whether a farmer or landowner is the owner or ownership is in tandem with a private developer. The farmer might be the owner, but with bank finance. It would be helpful to be a bit more prescriptive about that and create more categories.

Patrick Harvie: That is helpful.

Dr Anderson: I think that there is a significant community or public ownership stake in some of the largest wind farm developments in Denmark, including the offshore ones. I do not know exactly how things are done there, but around 40 per cent of the Middelgrunden wind farm off Copenhagen is in public ownership. Denmark is in the European Union, and I do not think that it flouts competition laws. It would be useful to find out how it does things. For Denmark, community ownership does not just mean community ownership of a small turbine on a hill outside town; it means the whole thing. That is the whole policy, really.

Steven Watson: The benefits of community ownership are much greater than the benefits from part ownership or community benefits from commercial developments. A 900kW turbine in Orkney, which is one of the five completely community-owned turbines that went up last year, has reached its production target of 2GWh in six months. That is significant for CO₂, it is significant in terms of income and it is significant for a peripheral area. We are not talking about a toy machine. Such turbines have a lot to contribute to meeting the targets.

That is not to take away from the non-pure community schemes that have so much to offer. Whether we are talking about making rural ice cream businesses more sustainable, or about householders, bed-and-breakfast accommodation or farm diversification, all forms of local ownership are key to meeting the target.

The Convener: Do members want to ask supplementary questions on planning before we move on?

Chic Brodie (South Scotland) (SNP): I asked a question about and explored the possibility of Scottish Water, for example, creating a subsidiary company like its Business Stream subsidiary. There are strict state aid provisions—whether we agree with them or not—that inhibit central Government's involvement. I support co-operatives and community ownership to a certain extent, but the question has been raised and there are pretty severe inhibitions. I do not know how Denmark is doing things given European state aid provisions—I do not know whether it is simply ignoring them—but they are certainly a problem.

The Convener: That was more of a comment than a question.

Chic Brodie: It was.

The Convener: As no one is desperate to respond, we will move on.

Stuart McMillan (West Scotland) (SNP): Good morning, panel.

I have a couple of brief questions. First, I would like to clarify something about the planning approach. I was not too sure about what was said earlier. In previous evidence, we heard that the Scottish Government should have a full planning strategy for renewables across the whole country so that it can overtake local planning control and local democracy. Do you support that? Would it be worth while for the Scottish Government to undertake that?

Ken Hunter: Most of us think that more intervention is certainly required; I have not thought a huge amount about whether it should go to the level that you suggest. However, in principle, if the targets are to be delivered,

something such as that will need to be implemented to get the momentum going. Broadly, my answer is yes.

Steven Watson: There must be a central directive that tells local authorities that they are part of Scotland and must contribute to the targets. I do not know whether that should impinge on local democracy. Some submissions suggest that some commercial-scale developers pretty much want applications to be called in and to end up being decided by the Scottish Government, because they think that that is the only way to get applications through. That would defeat the current planning system.

I do not like the suggestion that central control would take away consensus. Community schemes that have wide support, such as the Islay scheme that is on the go, do not just produce renewable energy and reduce CO₂ but have a great multiplier effect, which spins off into energy efficiency. That relates to the target of reducing energy consumption, by engaging with people. We must be careful that anything that we do does not affect that.

For community schemes and other schemes, a delay in planning is probably one of the worst things that can happen, because that creates much greater uncertainty about the feed-in tariff that will apply when a project is built or financed. Speed is probably more important than where a decision is made.

Stuart McMillan: In relation to local democracy, I am sure that the panel recognises that there would be a tremendous backlash if a Scottish Government of whichever hue decided to call in every application or put out a central diktat. That could have an adverse effect on wider community thinking about renewables technology.

Dr Anderson: Whether a decision is made locally or nationally tends to affect larger projects. I am fairly familiar with Aberdeenshire, where quite a lot of wind energy activity is going on. It is unusual in Scotland because most of that activity involves one, two or three farm-scale turbines, whether they are owned by farmers, communities or whatever. All the decisions on such developments are made locally—none of them is passed up to the Scottish Government, unless they are referred because of a radar issue, for example. That area is doing pretty well on the targets.

Dr McEwen: One issue that has arisen is inconsistency in implementing national policy. I would not want to suggest anything that undermined local democracy—far from it. However, in talking to people in local government and in community groups, we have found a need for more clarity and more guidance on

implementing policy. As can be seen from their submissions, planners desire greater resources and the acknowledgement that judging such things involves an awful lot of technical expertise that they have not had. The issue is broader.

Stuart McMillan: My final question follows on from that but takes a different perspective. We have touched on empowering local authorities. The 32 local authorities are of all different shapes, sizes and capacities. Some smaller local authorities might not have the capacity or the funds to invest in commercial activity. Would creating regional hubs across Scotland be worth while, so that local authorities—particularly smaller ones—could pool resources to invest in private developments and get the community benefit gain, rather than sitting on the sidelines if they do not have the capacity or the funds to invest?

10:30

Steven Watson: I think that that is a slightly higher level than most local authorities are at, in my experience. Most local authorities have vast estates of buildings that are relatively energy inefficient and cost a lot to maintain. A lot of local authorities' spend-to-save activity just now involves installing wood-fuel boilers in places that are off the gas grid and currently use oil—a lot of that is happening in the Highlands—and installing PV panels. If a local authority has money to spend, it should think about how it can make its estate more energy efficient and what renewables can be installed in order to lower the operational costs. That is the way in which local authorities can get the most out of renewables.

John Wilson (Central Scotland) (SNP): We are picking up that there are planning inconsistencies among the 32 local authorities. Written evidence to the committee discusses aspects of the process of submitting a planning application for a wind turbine. It says that the decision can be delegated to an individual planning officer. It is hinted that, if there are more than five objections, the proposal goes to a planning committee. At that point, on appeal, it goes to the local planning authority, which is made up of councillors. If that fails, it can land at the door of the director of planning and environmental appeals, who can make decisions about planning applications.

What does the panel think we could do to ensure that there is more consistency? The Scottish Government has issued legislation, regulations and guidance, but it seems that the local authorities—and the national parks authorities, which also have planning powers—interpret them differently. How can we ensure that there is consistency with regard to how planning

applications, particularly those concerning renewable technology, are dealt with?

Ken Hunter: You are answering your own question, in a way. If we are looking for consistency, there will have to be a collaborative approach among the Scottish Government, the local authorities and the national parks. Whatever the outcome is, we need there to be a consistent approach so that people know what they are dealing with. From our perspective as a private developer, there is a fairly substantial amount at risk. A recent case that we were involved with concerned a single, medium-scale 500kW turbine on a farm that did not get the single farm payment and so wanted to have the turbine in the interests of rural diversification. The cost of the planning process for that turbine—which ultimately failed to gain approval—was £35,000 to £40,000. That is a lot of purely speculative money when you do not know what your chances are and you are dealt with differently in different areas.

In that case, both stages were within the local authority. Had we been smarter, we could have created some semi-bogus objections and had a second bite at the cherry outside the local authority, which might have given us a better chance. It is not good that that sort of system applies. People should not have to look at the local authority that they are dealing with and wonder what the best approach is. We thought that the fact that there were no objections would be a positive thing, but it worked against us in that case.

Whatever the process is, it needs to be consistent and transparent, so that people can see what is happening. We are hearing about practices in certain areas where a high percentage of applications are withdrawn. That might be sheer chance, but it might also make the statistics look better in that area—people there can say, “We don’t refuse many applications”, but it amounts to the same thing, if there is a nod and a wink beforehand.

We need transparency and consistency. We do not have a defined process that we think should be followed. We do not want everything to be taken away from local authorities and be sent to the ministers. That would be impossible. However, the process has to be fair, and people should not feel disadvantaged because they have gone down one particular route. It comes down to individual authorities and individual people. As Steven Watson said, the planning process can be adversarial, which is an issue in itself. It also takes up huge amounts of time and money that are not necessarily available to the groups that are trying to undertake projects on this scale.

Dr Anderson: There is an issue with the cost of putting schemes through planning, whether they

are large or small. In this country, we have created a consultancy industry and it is expensive to put schemes through the planning process because that is what an awful lot of people do. We do not manufacture much of the wind energy equipment in Britain; in the countries that do—Germany, Denmark and wherever—I do not think that it is expensive to put schemes through the planning process. They have a different focus. I do not know all the reasons for this—I would have to do a bit of research—but if there is a scheme to incentivise or subsidise wind energy and it has a high price attached to it, it will create a market for consultancy in this country. That is a kind of Adam Smith argument. If we want things to go through the planning process more easily, maybe we need to think more about the whole picture and what we are trying to achieve.

John Wilson: Does anyone else want to comment?

Steven Watson: One way in which the Scottish Government has sought to overcome that is by providing community and renewable energy scheme loans to communities and farmers to meet a large proportion of the cost of taking a project through the planning process. For many projects, that has been the only route. However, we are still telling community groups and farmers that they are being given a loan to do it and that, if everything comes off correctly, they will have to pay it back. That is a significant risk and a significant cost for them to take on.

I underline what Colin Anderson said. The requirements of an individual planning authority—which can vary—are expensive to collate before a project gets a decision. It is very much about investing £40,000, £50,000 or £60,000 and hoping for the best. How an application then ends up being decided is a bit like roulette. Many of Community Energy Scotland’s members have only one planning authority—although, in some cases, as in the national parks, they have two—and it depends very much on how that planning authority deals with their proposal. They have no option of going to Clackmannanshire if the process is better there—they are stuck wherever they are. I reiterate that the local authorities need to be told that, centrally, there is an expectation that they will enable these developments to go ahead because we all recognise that they are beneficial in many ways.

John Wilson: Dr Anderson, you referred to the establishment of consultancy businesses around the planning application process, and we have heard that it could cost £40,000, £50,000 or £60,000 to put together a planning application. Is that a worthwhile use of money? Should we have a better system of getting planning applications through the process without having to spend up to

£60,000? I do not know how much of that would be spent on consultancy fees. Could we develop a model planning application that would apply throughout the 32 local authorities and the national parks authorities instead of having that much money spent on getting each individual planning application through the process?

Dr Anderson: In theory, there is a national planning policy that guides all the local authorities. However, to give you an elliptical answer, most of the objection to wind energy is pretty much about the visual impact. All the other objections that come in when something is proposed are secondary and may even be tacked on to improve the chances of a refusal. If wind turbines were invisible, there would be almost no objection to them at all—people would not be worrying about badgers, bats, noise and stuff, all of which problems are quite solvable. The visual impact is the only serious obstacle to more widespread acceptance of wind energy. We come back to where we started: the way to solve that is through ownership. Planning applications are often a foot thick and a cost of £50,000 is quite modest for some schemes nowadays. That is way out of proportion to what we are trying to achieve.

Ken Hunter: I broadly agree with Colin Anderson's point. One issue is that relatively small schemes are being required to carry out pretty extensive environmental studies. That is disproportionate. Colin is right that the main obstacle is the visual impact. From the planners' perspective, we are being asked to spend a lot of money on detailed environmental studies that are perhaps more appropriate to a much larger development. It is about proportionality.

John Wilson asked about the cost per application. If that issue was addressed, it would reduce the cost a bit. I am not sure what impact that would have, but the amount that is spent seems to be getting a wee bit out of proportion.

Dr McEwen: I have one thing to add. First, I echo the points that have been made. I take on board what you have said, but community groups feel frustrated at having to go over the same hurdles and through the same hoops as commercial developers despite the fact that they do not have the resources to do it. We have also heard a lot about a desire for planning decisions to take into account community resilience criteria or what the Community Energy Scotland submission calls "socio-economic impacts". There should be an ability to weigh up what would produce the best long-term outcomes for the community and for that to be a little bit more integrated into planning decisions, which I do not think that it is now.

John Wilson: I will move on. My next question is about community benefit. We have the target, within the overall renewables target, of 500MW of

community and locally owned renewable energy capacity by 2020. One issue that I have picked up from the discussion is the question of what a community is. We have heard the argument about a community being a village, but it could be a local authority and we have heard that, in some cases, even a Government could be seen as part of the community and therefore it could contribute to the community renewable target. I am concerned that we are changing our use of the word "community" and widening its definition. If, for example, the Scottish Government is investing in a wind-farm development, is that a genuine community development? What do we mean by the terms "community" and "community benefit"?

Dr McEwen: Like any concept, it is open to interpretation and definition. The Scottish Government has defined community quite broadly, to mean local neighbourhood-based communities, local authorities, housing associations, local businesses, estate owners and so on. Most renewable energy production is not at that small-scale community level. About a third of operational capacity is on estates, so it is run by farmers and estate owners.

Strong evidence from the literature suggests that there is a strong relationship between public acceptance of wind farms nationally—both local wind farms in the community and renewable energy broadly—when there is community ownership or community co-ownership. That relationship is quite well established in the literature; it is one of the broader advantages that was previously highlighted of having a local, smaller-scale community ownership model.

10:45

Steven Watson: John Wilson's question is a very good one. It relates in some way to scale, in that in the case of a very large commercial wind farm, which produces a community benefit, we have to look quite far to see how that will be utilised, whereas some smaller commercial schemes can look to pay a relatively small but consistent amount over a long period of time to a very local organisation. That can be particularly valuable. Putting £2,000 into a small community every year for 20 years can be particularly useful, but there are other models. In South Lanarkshire, the local authority has set up a wind farm trust that allows commercial developers to pay in centrally; it then has a remit to disburse those funds.

The Scottish Community Foundation acts as an intermediary between some commercial developers, and communities can apply for particular projects. Other developers have a direct relationship with an individual community organisation. It is all very much on that scale. If the amount of funds passing through is approximately

£2 million a year, you are likely to be dealing with the local authority, for instance. If it is £2,000 a year, you want to have a relationship with a sub-committee of your local community council or the miners' welfare club down the road.

The Convener: Chic Brodie wants to come in on that subject, but I am conscious that Mike MacKenzie has a question on planning, so we will deal with that first.

Mike MacKenzie: So far we have talked primarily about wind, but some of the written evidence suggests—as was mentioned earlier—that there are some planning inconsistencies and difficulties around solar thermal and PV systems, air source heat pumps and so on. Some of those things are microgeneration devices, and some are more efficient forms of heating, but reduction of demand is part of the framework of targets. Does the panel feel that there are similar problems with planning in relation to any of those microrenewable technologies?

Steven Watson: Yes, very much so. The change to permitted development rights has not been particularly helpful, especially for community-owned buildings, which are dealt with as commercial buildings.

Someone may reckon that their PV system will produce only £300 or £400-worth of savings in a year. They are asked to put in a planning fee and a building warrant fee, but it will be another two years before they get anything back on that, and another six months before they are given their building warrant. If they need an engineer's survey to see whether their roof is up to it, there are further costs. All those things erode the amount of money that people will get back on the capital cost.

We all want people to invest funds in renewable energy generation, but anything that dilutes the return that people will get or gives them uncertainty on feed-in tariffs will reduce the number of people who will take up those schemes, which will impinge on the target that is before you today. Things such as making it easy for people, increasing permitted development rights and reducing planning fees and building warrant fees would make a great difference, especially for urban communities.

Mike MacKenzie: You touched on permitted development rights. You are probably aware that air source heat pumps now have permitted development rights, provided that they are no closer than 100m to the nearest dwelling.

Do you feel that that provision was based—as I understand that it was—on the noise emitted from those pumps? Are those noise criteria already out of date because the more modern heat pumps are quieter?

The unfortunate consequence of such a provision is that people might assume that, if the pumps have to be 100m away, there must be something nasty about them. Permitted development rights may lag behind technological developments, and in some cases may be unhelpful. Is that a fair comment?

Steven Watson: Certainly, with regard to some of those provisions. The similar provisions for ZVIs—zones of visual influence—and distances from small wind turbines, for example, are rather arbitrary and do not take into account what is actually being put in. The air source heat pump provision disadvantages people in high-density housing and urban folk, who are the very folk whom you want to help and who are more likely to be in fuel poverty.

Chic Brodie: As Mike MacKenzie said, we are talking about more than wind. Last week, I was at a meeting in Dalmellington at which we talked about wind, coal, sewage and hydro. How do you see the current subsidy regime developing?

We have discussed planning. What would be the impact if planning fees were increased substantially? I ask that because I have some sympathy with the concerns about the possible impact on the planning system of the number of applications that are going in for small single turbines and even medium-scale turbines. That potential gumming-up of the planning system might impact on progress towards achieving our targets.

Dr Anderson: I will comment on the subsidy regime. At present, there are two policies—the renewables obligation and the feed-in tariff. The feed-in tariff has some good points but several bad ones. To start with the bad ones, the scheme tends to put a high premium on small-scale renewables and can encourage people to put in a smaller wind turbine, say, than they would otherwise have done in order to get more per unit. That means that we end up with less renewable energy from the site at a higher price, which is a mistake.

One good point about the feed-in tariff is that it is a guaranteed income for 20 years, so there is a lot less uncertainty about it.

Chic Brodie: So was PV.

Dr Anderson: Sorry—what was the point on PV?

Chic Brodie: There was a guarantee of financial support.

Dr Anderson: There is still financial support, but the level of support at the high end has been reduced, presumably because the take-up was so high.

We do not have long enough to go through all the issues with the feed-in tariff, but the scheme needs to be reviewed again—not got rid of, but reviewed logically. Rather than incentivise specific sizes of generation, it might incentivise different amounts of energy generated. That would be rather like the tax system, in which higher taxation kicks in at higher levels. The feed-in tariff could work along those lines instead.

Ken Hunter: I do not dispute Colin Anderson's point about the need for a redesign of feed-in tariffs, but if a reasonable chunk of the proposals in the current consultation on the issue come into force, feed-in tariffs are in danger of not being sufficient to support projects, certainly those of a medium scale. The small wind sector is concerned about that—I am thinking of companies such as Gaia-Wind, which might have given a submission to the committee.

We have fed back directly to that consultation. It is creating uncertainty in relation to future depression rates—cutting the tariffs at set times—and capacities triggering further reductions in the tariff, without any evidence to suggest that costs are reducing. I know that the Department of Energy and Climate Change is under a lot of pressure from the Treasury, and it tells us that we should be thankful that there is a scheme at all. At present, for any commercial-scale project—anything above a couple of hundred kilowatts—the feed-in tariffs are just about sufficient to make it viable and to cover the costs of lending, but we foresee that, in two or three years' time, that will not be the case. The timescales for such projects mean that lenders are reluctant to commit to them at present.

Of late, there has been a hiatus in projects of various scales because of the uncertainty about feed-in tariffs, the electricity market review and the renewables obligation certificates system, all of which are up in the air. The problem with incentives is that we do not know what is happening and they keep being changed. A point was made about the sudden change in the PV tariff, when the Government had committed to the levels for a few years. Although the money is guaranteed for the duration when a project is up and running, someone who is looking ahead to fund a project does not know what they will get, which will definitely be a hindrance to developments in Scotland.

Steven Watson: We have one community hydro project that has been waiting for the Department of Energy and Climate Change to conclude its FIT rates. The project is ready to go to financial close, but the lender will not go to financial close until the rates are confirmed—and of course it might not do so. Another project is desperate to get in before support is reduced from

1 ROC per MWh to 0.9 ROC per MWh next March. I hope that it manages to get in, but progress is weather dependent and the project could miss out.

We need stability. We need to know that there will not be overnight changes to the financial regime for renewables. From the day when a community or a developer decides to go for its idea, to the day when it has a bankable proposition, can be some time. There are not just planning, but grid issues—will there be grid connections two or three years hence? People need stability in the regime if they are to risk their money and take the idea forward.

Chic Brodie: Should we dramatically increase planning fees?

Dr McEwen: There is currently a consultation on a proposal to increase planning fees. Increased fees would go some way towards resolving the resources issue for planning authorities. However, I sound a note of caution: I would hate fees to be a deterrent, particularly for community groups, which might have fewer resources. Provision in the fees structure for a reduced rate for community or charitable organisations would be beneficial.

Dr Anderson: There tends to be a lot of duplication in wind energy planning applications, much of which is unnecessary. Much information is asked of every applicant, even though the next guy is sending in the same information. For instance, we might be asked to identify all the projects in the area that would, cumulatively, add to the visual impact of our development. The next guys are asked for the same information. We all independently search the planning register to see where projects are. We think, "Hang on, why don't we just pay the planners a fee, so that they can search their own register and compile the information?" I would rather do that than try to find the information myself. The fee could justifiably be put up if the money would be spent on making the planning process simpler and quicker, taking out duplication of effort.

Chic Brodie: Mr Hunter, your company invests in developments—I am not sure what equity you take, if any, but I assume that it is a fair slice. In your submission, in the context of your comments about bank lending, you say that an alternative route is non-recourse funding. We have been talking about the subsidy regime and the potential increase in planning fees. Where does the risk lie in medium-scale or single turbine applications, or indeed in any renewable energy project?

Ken Hunter: Initially the risk rests with us as the developer, because we fund all the costs up until the project has all the relevant consents—if it gets them; if it does not get planning consent or a grid connection at a sensible price, we are out. In the

case that I mentioned, £35,000 to £40,000 was gone. We have to take that risk into account when we consider the prospects for projects.

The prospects appear to be diminishing. We talked about where we are in relation to the target and whether more intervention from the Scottish Government is needed. I think that it is going to get harder and harder to get projects through at local level. Aberdeenshire Council is a good example, as Colin Anderson said, but even Aberdeenshire is starting to say that it is pretty much full. Developers and communities who are considering a development must make tough decisions about how far they are willing to commit to projects, at the risk of just wasting money.

On the feed-in tariff regime, it is worth pointing out that in the medium-scale band, between 100kW and 1.5MW, which is our particular interest, data from the Office of the Gas and Electricity Markets suggest that in the two years of the regime to date only four turbines have gone up in Scotland that are currently receiving feed-in tariffs, which amounts to about 3MW. I know that there have been changes to do with solar energy, but it is worth highlighting that the system is hardly being overwhelmed. That might be down to the timescales involved or delays in processing applications for feed-in tariffs, but the number has been sitting at four for a long time, and four is awfully close to none in my view.

11:00

There is a feeling that turbines are going to cover the countryside, but we have real doubts about whether many of the projects that are in the pipeline will come through. They may have got through planning, but they cannot get finance. The banks will lend only to projects of a certain size. A lot of the applications are for smaller projects that have got through planning because of their size, but they cannot get finance.

The fact that it is thought that so many projects are about to come through has an impact on the attitude of planners, but the projects might never materialise. Planners may think that, cumulatively, they have a huge problem, but many of the projects will not happen. That may even feed into the feed-in tariff review, in which there is talk of capacity triggers, which is the idea that, when a certain level of capacity is reached—based on what projects are in planning—the tariff will be dropped. However, the drop may happen artificially, because some projects will never come through. There is a real danger that we are heading towards it not being worth doing wind projects. Our company is having to looking hard at that. It is just not worth the risk; the obstacles are too great.

The Convener: If Mr Brodie will forgive me, I will interject to follow up on what Mr Hunter has said.

What is your success rate as far as applications are concerned? If that is too commercially confidential a question for you to answer, I ask what the normal success rate for a company such as yours would be.

Ken Hunter: We would probably expect it to be 50:50. Of late, it has been zero—our last three applications have been rejected. You can take only so many hits before you think, “Wait a minute—we need some signs that we have a chance here.” The fact that our applications have not been unreasonable and that very similar applications have gone through elsewhere makes us think that it is just about luck. If a similar application has gone through in the same authority area, it must simply be a matter of timing. If the other applicant went ahead of us, the cumulative allowance must have gone. Perhaps a different set of factors is in play. A proposal might seem fine, but it does not get through. Eventually, companies such as ours will say, “We can’t justify this. We have other things to do with the corporate money. It just doesn’t stack up.” I am sure that the communities and other groups are feeling the same way.

Chic Brodie: The point that I made about the gumming-up of the planning cycle emphasises how difficult it will be for us to meet the wind element of our renewable energy targets. Local authorities need to look at that.

I have a final question, which is directed at Mr Watson. Whenever I have been involved with co-operatives or community enterprises, I have always been intrigued by who calls the shots. There is a new fund—the renewable energy investment fund. What kind of energy infrastructure in communities should that fund focus on? How should communities structure themselves to address investment and community benefit? I have had discussions with some communities in which 20 people have been involved in a project and there have been 20 different views on how the community benefit funding should be spent. If we are to invest £103 million, what structure will ensure that we get the return that we are looking for and that the fund will not just become an expense sink, with communities fighting over what the project will be, where it will be, how it will be managed and what benefits will flow from it?

Steven Watson: I am delighted that the funds that were held at Westminster are now being made available, given that the DECC seemed to be the source of so many of the problems with timing. A consultation is under way that seeks input on the sorts of projects that people would like

the renewable energy investment fund to be used for. The essential thing about the fund is that it is about revenue generation as well as the social impacts. Both those elements have to be there. We have not said a great deal about renewable heat or district heating schemes.

From my point of view, the REIF is an opportunity to fund some of the projects that are doable but not necessarily easily bankable and which will pay back over a period of time. The REIF has to be about supporting projects with finance. It is almost like taking a stake in a project—earlier, it was envisaged that local authorities or the Scottish Government could take such stakes—so that funds will be available to recycle into more of this work.

When it comes to testing which projects REIF funding should go to, we should look to the priorities of Government. Those are about health and wellbeing, such as district heating schemes that improve peoples' lives and homes, and not necessarily only about generating revenue for discretionary spend by a local community organisation. Housing associations also have a role to play in the use of renewable energy investment funding, because the benefits of involving them in such schemes are manifold.

Chic Brodie: Forgive me if I am wrong, but I think that we are again talking about the supply side, the economics of energy and hitting our energy targets. What is your view on the demand side and demand reduction? The issue is not just about revenue generation; it is also about cost reduction.

Steven Watson: It is important that organisations that receive funds or earn income from renewable energy developments that are in the community use such funds to address fuel poverty in their areas. We have seen that happen. Any beneficiaries should use the funds, not for hanging baskets but to upgrade hard-to-heat houses.

Patrick Harvie: I want to develop the issue of the renewable energy investment fund. I was a little unclear from Mr Watson's answer how involved Community Energy Scotland is in the development of the fund. With some consultations, the Government sets out what it is doing, asks people to fill in a consultation form and says thanks very much. On other occasions, the process is more participative and the Government will go to the relevant bodies to ask what is needed. How involved have you been in the development of the community aspect of the fund?

Steven Watson: I have not been involved personally and I do not know about my colleagues. I understand from Scottish Government officials that PriceWaterhouse Coopers has been retained

to seek ideas from a range of stakeholders, but I do not know whether that has begun.

John Park (Mid Scotland and Fife) (Lab): Good morning, panel. I will try to make a bridge between the planning aspects and employment.

In other forms of energy production, such as coal and nuclear, the community benefit clearly goes to those working in the sector. From the evidence that we received from CATS a couple of weeks ago and some of the written evidence that we have had, it seems that there are concerns about the visible employment opportunities that may exist in communities. Do you have any views on the impact of that on wider community buy-in to not just wind projects but renewables developments in general?

Ken Hunter: We do not do community projects per se, but I guess that the community benefit of a medium-sized turbine going up on a farm is that the revenue generated by the farmer will stay in the local community. I guess that the same could be said to happen with large-scale wind farms, although we do not know where the money goes.

In many ways, one of the attractions of renewable energy is that it is not people intensive. Once the turbine is up, it runs and from there on the raw material costs—for hydro or wind—are low. We cannot necessarily offer jobs, but the benefits from small-scale projects stay in the local community, regardless of whether the developer is a community or private.

Dr McEwen: Mr Park, when you said community benefit, did you mean the broader benefit rather than the community benefit payment?

John Park: Yes.

Dr McEwen: For the community groups that we have examined, the main driver of engagement is income generation. That might produce spin-offs in terms of small-scale job creation, but the driver is the income, which can then help to sustain a community in the longer term. The income is far greater from community or co-ownership than it is from the standard community benefit payment.

When we examined this, we sensed a shift in opinion towards community benefit payments; often, they were characterised as a bribe or portrayed as being an unsatisfactory outcome. Therefore, if there are more examples of successful community-led or community-owned schemes and more transparency around the benefits that come from that, there might be more dissatisfaction with the narrowly defined community benefit scheme.

John Park: I have a question that is more about employment. An issue that has come up in most of our evidence sessions—I think that Dr Anderson

touched on it in his paper—is the transfer of skills from existing industries and whether there is sufficient skills capacity within the renewables sector to meet the targets. Dr Anderson, do you believe that there are sufficient skills? I am talking not just about the engineering skills that will be needed. For example, you referred earlier to frustrations with the planning system. Can you comment on skills requirements and capacity in that context as well?

Dr Anderson: There is a lot of enthusiasm in the engineering sector for renewable energy in this country, whether it is wind, wave, tidal or whatever. However, we lose out by not having a strong manufacturing sector. We are world leaders in the marine technologies, but they are very young and at the prototype stage. Wind is the big, hugely mature commercial success at the moment, but we have a very small foothold in it. I greatly regret that, because renewables can be of economic benefit either through manufacturing the equipment or through owning it. We are losing out in both respects in Scotland. We could meet our targets with existing skills, but we will buy in the equipment, which may be owned by overseas companies. In that case, we will have met the targets but will have missed the economic benefit. Manufacturing ought to underpin the policy in order to maximise the economic benefit of renewables, which will happen anyway.

Sometimes I think that trying to meet the targets too quickly will mean that we will lose out on the economic benefit. That does not mean that I do not want to meet the targets, but I want us to get as much as we can out of doing so.

Steven Watson: The fact that jobs are already provided by renewable energy development in Scotland is currently underplayed. I admit that, as Dr Anderson said, we are not getting jobs in manufacturing the kit—that applies to wood-fuel boilers as much as it does to wind generators—but even where I stay in Inverness, there is an army of people in renewable energy, whether it is wind-turbine maintenance folk from Nordex or Enercon, photovoltaic panel fitters, people putting in new hydros or the folk putting in the roads for those. Of course, we also have Nigg on the go with the enterprise area up there for Global Energy. Unlocking renewable energy projects and getting them built, instead of only consenting to them or having them on paper, has phenomenal implications for employment. The logjam is in getting them built and sending a clear signal that we want that to happen. We have been talking about community benefit and nice-to-haves, but employment is not a nice-to-have; it must happen. In what other sector apart from renewables does the Government have the opportunity to stimulate employment, but where are we? Stuck with bits of

paper, environmental impact assessments and planning delays.

John Park: That is a fair point. Dr McEwen referred to the public acceptance of renewable energy and contrasted that with the public acceptance of other forms of energy generation around Scotland.

Dr Anderson, finally I want to explore the possibility of a public stake in or public ownership of energy companies, which Patrick Harvie touched on earlier and which you mention in your evidence. What might such ownership look like? What are your views on Mr Hunter's remark that such a move might distort the market?

Dr Anderson: I should say that I am only a simple engineer.

John Park: And I am only a simple electrician.

11:15

Dr Anderson: I do not want to talk about Scotland's future governance or whatever, but what I would say—and this is a completely blue-sky thought—is that as SSE is the one remaining British-owned utility and is strategically important to this country because it owns all the hydros and a lot of the wind, it would be of strategic importance to have a stake in it. I would hate to see it being sold off next week to, say, Gazprom or, without wishing to be pejorative, any foreign company.

Of course, that is on a big scale. As far as smaller-scale initiatives are concerned, I guess that we could learn from what other countries do.

John Park: I am sure that, by discussing public ownership of utilities, we have fulfilled one of the convener's wishes.

The Convener: Absolutely. A discussion on the nationalisation of energy companies—that is fantastic.

Stuart McMillan: Dr Anderson has for the most part answered my question. However, as far as training and upskilling are concerned, through its colleges and universities, is Scotland in a good place to create more employment, more community ownership and, indeed, more acceptance of renewables? If not, what do we need to do in that respect?

Dr Anderson: I think that Scotland is in a good place. I do some teaching at the University of Edinburgh and have noticed a huge intake of people interested in studying renewable energy. The university's engineering department, which majors in the subject, attracts students from all over Europe. People want to study the subject and it is certainly a very active field. As a result, I am

very optimistic; indeed, I think that you will find the same pattern in universities throughout Scotland.

Stuart McMillan: So individuals are going through centres of education and getting trained. Given the lack of manufacturing, where do they go when they come out of college or university?

Dr Anderson: One of last year's graduates from the course that I was involved in went to work for Enercon in Germany; another went to Denmark to work for Vestas; and others stayed in the consultancy business in this country. Graduates go wherever the jobs in the wind industry are. I should point out that I teach wind energy, not the other renewables, although I know that those who study marine technologies tend to stay close to home. In short, graduates go where the jobs are.

Stuart McMillan: So we need more manufacturing capability. I know that over the past 12 months there have been announcements of major investment and substantial job opportunities in Scotland, but are you convinced that if more such announcements are to be made, more individuals should stay in the country?

Dr Anderson: Absolutely.

Steven Watson: I point out that, at college rather than university level, Inverness College and Banff and Buchan College are putting substantial effort into training up those involved in plumbing and electrical work and, indeed, apprentices in microrenewables such as solar thermal, solar PV and wood. However, after they get their training and find employment with the likes of Highland Wood Energy or Fraser & Sun, they go off for a week to Austria to be trained by the manufacturers of the kits they are going to install. It is a case of good news and less good news; on the one hand, those people get trained and employed but, on the other, we do not get any jobs out of manufacturing the kits.

Stuart McMillan: How, then, do we stimulate more indigenous businesses to develop into manufacturing or encourage Scottish entrepreneurs to establish businesses and create more employment opportunities?

Dr Anderson: How long have you got?

The Convener: Not long.

Ken Hunter: You have a go, Colin.

Dr Anderson: It is difficult to manufacture anything new in Britain at the moment. We kind of opted out of wind energy some years ago, and I do not know how easy it is to opt back in. After all, the companies involved in that work have been developing their products and techniques for 20 or 30 years and you cannot simply jump back on the wagon like that. There are jobs in the industry and we can get involved again, but I think that it is too

late for an indigenous company to challenge at that level. Of course, I hope that I am wrong about that.

Stuart McMillan: That ties in with your earlier comments about wider economic gain. This is not just about reaching the targets—which you have welcomed and which you hope we achieve—but about getting full economic gain from manufacturing opportunities.

Dr Anderson: I think that it has to be about that.

The Convener: John Wilson has a very brief final question.

John Wilson: On the issue of kit, which has just been raised, it has been alleged in previous evidence sessions that most of it is imported from China. Who at community—not commercial—level is deciding what turbines or other pieces of kit should be purchased, where they should be purchased from and who should install them?

Steven Watson: I pay tribute to Enercon. Community Energy Scotland was faced with a number of community-scale schemes and found it very difficult to find a commercial turbine manufacturer that would sell and deliver the kit. Enercon did so—and did so very well.

We must ensure that proposals are bankable. As Ken Hunter makes clear in his submission, we are having some problems with finding lenders. From a due diligence point of view, lenders will provide loans for only certain machines, which means that some medium-scale machines made in Ireland, for example, are not bankable at the moment. Of course, any piece of kit you install must be accredited or folk will not get their feed-in tariff or the renewable heat incentive. The fact that you need to be prepared to pay the money to get your kit accredited is actually another barrier to entry.

The Convener: Just for clarification, are certain Irish-made machines not bankable because of reliability or for other reasons?

Steven Watson: I presume that it is because lenders do not have as much confidence in those machines as they have in others.

The Convener: That is interesting.

John Wilson: When you say that lenders do not have confidence, are you implying that they decide what kit should be purchased?

Steven Watson: Yes.

Ken Hunter: Unless you are funding the project yourself, the answer to your question is yes, above a certain level. There are many planning applications and approvals for 225KW machines as well as some for 500KW, but the banks in the market will not lend against them. The developers

go through the planning process without factoring any of that in; the banks tell them, "Don't come to us till you get planning approval," but when they get approval, the banks then say, "Nope—can't fund that." There is a real disconnect in that respect.

As for stimulating other banks into the market, a lot have come close to going in only to pull back. There are only two—or maybe three—players offering project finance starting at £1 million. Enercon is the banks' favourite turbine, but they are also happy with Vestas and Gamesa; however, their approach is very prescriptive and you simply have to go with what you can get.

The Convener: I appreciate that we have gone a bit over time, but your evidence has been extremely interesting and we have covered a lot of ground. Thank you very much.

11:24

Meeting suspended.

11:31

On resuming—

The Convener: I welcome our second panel of witnesses. On my left-hand side, we have Murdo MacDonald, who is the convener of Rosneath Peninsula West Community Development Trust. It is always good to see another Murdo at the committee.

Murdo MacDonald (Rosneath Peninsula West Community Development Trust): We have got them surrounded.

The Convener: There are not enough of us.

Chic Brodie: That is your opinion.

The Convener: We also have John Booth, the director of Eigg Electric; Alan Hobbett, the director of Gigha Renewable Energy; and Mike Pitman, the director of the Boyndie Wind Farm Co-operative. I welcome you all. I am sure that you have heard some of the previous discussion and are aware of what is likely to come up. Would anyone like to make a statement before we move to questions?

Murdo MacDonald: I would like to add a couple of thoughts on the evidence that you heard earlier, if that is not too much like back-seat driving.

On the issue of community benefit and employment, the conversation is often too narrowly drawn. If a scheme is a community project and all the benefit is going into the community, that is where the employment is created. Employment is not created to as great a degree by the erection of the turbine, as that employment tends to be outsourced. However, if the community is earning X thousand pounds and

is providing community benefit in terms of affordable housing, sheltered housing and so on, that is where the employment kicks in—it is slightly further down the line. However, that happens only in the case of community schemes. If it is a commercial scheme, the money leaves the country; if it is a community scheme, the money stays in the community and creates the employment. The question is wider than whether a community gets benefit from putting up a turbine.

On the financial involvement of local authorities, one of the problems that communities have is that, when they get to financial closure and are trying to get the finance to build the thing, they have to get a bank loan, but—not unreasonably—the banks will not give them a 100 per cent loan, which means that they are always looking for that 10 or 20 per cent equity stake. It seems to me to be reasonable for local authorities to take that equity stake, thereby enabling the projects to go ahead, and to then benefit from the income from their stake. I should say to Mr Brodie that I do not think that that would break any European laws; it would simply be a matter of taking an equity stake in the company.

Alan Hobbett (Gigha Renewable Energy Ltd):

I have a couple of points to make to follow up what Murdo MacDonald said. Although I am a volunteer director of Gigha Renewable Energy, I am also employed by Berwickshire Housing Association, where I am responsible for a development in the Borders, and I am involved in a voluntary capacity in a community development in Fife that is not so very far from where Mr Park stays.

Employment benefits can be considerable. It is difficult to overstate the importance of the wind turbines to the success that has been achieved by Gigha. That development meant that the islanders were able to achieve financial sustainability. Without it, it would have been very difficult for the island to do that.

That, in turn, has led to the islanders being able to invest in a whole number of projects, not least in the housing development on the island. It should be borne in mind that, at the time of the takeover of the island, 75 per cent of the island's housing stock was below tolerable standard. Apart from a very few houses, it was owned by the trust, having been transferred over by the estate. That 75 per cent compares with 1 per cent of the housing stock in Scotland. Housing on the island was in a deplorable condition. Because of the wind turbines, the islanders have been able to invest in housing and have improved more than 75 per cent of the stock to a good modern standard. That has involved taking those houses back to their four walls and fundamentally rebuilding them.

Doing that created much-needed local employment. A consortium of three local builders

from Kintyre came to work together to improve those houses and to build new houses for a housing association, whose development would have been unlikely to happen had it not been for the change in the island's ownership. The fact that that expenditure was local led to considerable social and economic benefits.

In the case of Berwickshire Housing Association, if we are successful in our current planning applications, which will be determined on 31 May, we estimate that that development will enable us to build 20 new homes for affordable rent in Berwickshire every year for the next 20 to 25 years. That will enable us to achieve the targets that have been set by the local authority local housing strategy. Housing is a major issue in the Borders, as elsewhere in Scotland. For every house that we have available to let, we have 50 applicants. Our system is choice based, so people apply only for the houses in which they are interested. By definition, every time we let a house, 49 households are disappointed. If we are successful in the planning application for the wind farm, it will enable us to house an additional 20 families a year for the foreseeable future.

We asked colleagues at Scottish Enterprise Borders to undertake an economic analysis of the benefit that that will bring. One of the advantages of spending on construction is that there is a significant multiplier effect. We estimate that 30 full-time equivalent jobs will be delivered every year throughout the period. The benefits can be considerable. It is an arguable point, although I know it to be true, that the local benefits would be nowhere near as great if the ownership did not rest locally with community and charitable groups. That is my point about employment and community benefit.

On finance, I just echo some of the comments that were made earlier. Finance is a major obstacle, particularly to smaller developments. After the success of Gigha's dancing ladies, the islanders chose to consider a second, single-turbine development. We have planning consent, grid connection consent and in-principle agreement for financing from Triodos Bank. Unfortunately, we were caught out by the timing of the feed-in tariff review and the uncertainty that was around at that time meant that Triodos Bank was unable to provide finance on the basis that it had previously indicated that it would. The bank required greater security and wanted to take a charge over the island. The history of Gigha is, of course, very mixed. At one stage, a laird used the island for security and subsequently went bankrupt. The tied workers came home to chalked eviction notices from sheriff officers. It is therefore understandable that the islanders are not prepared to offer their island as security, and that financing fell through.

In the interim, and while the feed-in tariff was being reviewed, Triodos Bank changed its policy and will no longer consider funding smaller generators. Triodos is an excellent bank and it is happy to look at funding under the renewables obligation, but it is hesitant to do so under the feed-in tariff, so it has withdrawn from smaller wind farm developments. The Co-operative Bank, which is also a major player, has similarly indicated that it will no longer consider smaller schemes. That poses particular problems. Gigha could have been benefiting from a fourth turbine now, but the financial challenges have meant that we are unable to do that, although we are, of course, making every effort to move ahead.

When the first wind farm on Gigha was financed, it was the early days. It was, of course, the first community-owned, grid-connected wind farm in the United Kingdom, so the path had not been trodden before. At the time, we addressed state aid concerns by approaching colleagues in Highlands and Islands Enterprise and asking them to treat the development in the same way that they treated any other strategic development in the Highlands and Islands and to take a shareholding, which it did. It took redeemable preference shares, which the islanders were able to redeem within two years through the profit that was generated from the wind farm. That was fundamental.

Unfortunately, Highlands and Islands Enterprise is not in a position to do that with the second development. However, to echo comments that were made earlier, I think that there is a key role for the public sector—whether local authorities or the new green investment bank or through funding from the REIF—in taking capital equity holdings in developments that would offer commercial returns and hence would not be subject to state aid restrictions. That would break through the logjam, which is very real and which a number of community projects face at the moment.

I am sorry for giving a rather extended answer.

John Booth (Eigg Electric Ltd): I would like to comment on employment issues.

Members probably know that our system on Eigg is minute in comparison with most schemes. It is a stand-alone system that still uniquely—I think—integrates power that is derived from three renewables to supply the community. Because we operate the scheme entirely ourselves for the benefit of everyone who lives and works on Eigg—it has no other connections—five part-time jobs have been created on the maintenance side. The number is high because everybody on the west coast does a number of jobs. There are small part-time jobs and a part-time administrative job.

Apart from the employment, there are economic knock-on effects for the rest of the community.

The fact that we now have an electricity scheme means that we can have all the facilities that are enjoyed on the mainland. Thus, we can have broadband, which was not possible before. That makes a big difference to the businesses on the island. We have been able to improve the facilities at the restaurant and shop at the pier so that they can have more refrigeration.

An increase in the population and more housing have also been encouraged. Going from the mainland to an island is something of a step, but going from it to an island where one has to crank up a generator for power is not overly encouraging. However, now that we have our electricity scheme—the scheme has been running for four years and it works well to everybody's benefit—that is encouraging housing. From our point of view, community ownership benefits everybody.

Mike Pitman (Boyndie Wind Farm Co-operative): I am wearing a multitude of hats. In my day job, I am an accountant, and I have many clients who are farmers with turbines. I can only echo the issues that have been raised and the concerns about raising funding for turbines. That is a problem. None of the mainstream banks is at all interested, despite promises.

Wearing another hat, I am involved in the Fraserburgh Development Trust, which is planning a turbine with a local farmer. That farmer is prepared to put up his farm for security, as he will take 50 per cent of the income stream and give us 50 per cent of it after paying all the costs and so on. That is extremely generous. We can get the turbine up only because he is providing the funding and putting his land up for security. Otherwise, it would be impossible.

When or if the turbine goes up and we get the money from it, that money will go into a trust, which will spend money in the local community to try to benefit the community and grow services in Fraserburgh. That will have a knock-on effect for employment, so there is an employment outcome, but it will not be in putting up the turbine; it will be a spin-off if we can get £50,000 a year to spend locally and generate some jobs.

11:45

The Convener: Thank you. That is helpful, because the opening statements have covered a lot that I am sure members would have asked about and a lot that was reflected in the questions to the earlier panel of witnesses.

As committee members are aware—I say this for the information of the witnesses—we hope to take evidence from the banks and other financial institutions at a future meeting. That will enable us to pursue some of the points that have been made

about funding, which will be of interest to committee members as part of the inquiry.

I now invite questions from committee members. The witnesses should not feel that they all have to answer every question; otherwise we will be here for a very long time. They should catch my eye if they want to answer the question. Because of the hour, we will try to keep the questions—and, I hope, the answers—brief and to the point.

John Wilson: I take on board the points that the witnesses made about finance. The Scottish Government has set up the community and renewable energy scheme—CARES—to assist communities. It has provided a fund of a little more than £5 million that communities can tap into to assist with the pre-planning process. Is that enough money? Did the witnesses make use of that funding? If they did not, why not? I take on board the comments that were made about Highlands and Islands Enterprise's involvement in assisting with the establishment of community energy projects, but does anybody wish to comment on CARES?

Mike Pitman: The Fraserburgh Development Trust accessed CARES for the initial planning. We are beginning to spend that money. In fact, we are writing a cheque for £25,000 for a grid connection this week, which we could not do if we did not have that funding. The funding comes with a cost, but it is the only way to get into the game, so it is a great facility. I am pleased that the scheme has been reopened again for the current year, because we have another project that we might be able to do. It is a door opener.

If a project needs to get seed capital, I would say that £137,000 is probably more than enough to get the ball rolling. After that, it would need to get commercial funding.

The scheme is good. The trust is using it and wants to use it again.

Murdo MacDonald: We have a CARES loan, which is fundamental.

I return to the idea of the multiplier. In terms of bang for buck, the CARES loan is great from the Government's point of view not only because it gets paid back if the project is successful but because progressing community projects gains a great deal more money for the Scottish economy than the CARES loan itself. It is a great scheme and should be encouraged in every possible way.

Alan Hobbett: The CARES loan scheme is an exceptionally good scheme. Two of the projects with which I am involved—one with a housing association and one in a voluntary capacity—would simply not have happened were it not for the scheme. It is highly effective.

In the past, I have suggested a small change, which I do not think would alter the costs of the scheme in any way. At the moment, it is restricted to developments of up to 5MW. Although the development for Berwickshire Housing Association is for only three wind turbines, it is 7.5MW.

Murdo MacDonald: That has been changed.

Alan Hobbett: Has it been changed?

Murdo MacDonald: Yes.

Alan Hobbett: I stand corrected. I am pleased that that is the case.

The Convener: It is helpful when the witnesses correct each other. It saves us having to do it.

Murdo MacDonald: The ceiling is now 11.5MW.

Alan Hobbett: When was that changed?

Murdo MacDonald: Last month.

John Wilson: Your suggestion has clearly been taken on board, Mr Hobbett.

Alan Hobbett: I am delighted.

John Wilson: I welcome those responses on CARES. There seems to be universal agreement that the scheme has been highly valuable. However, Mr Pitman commented that it comes at a cost. I ask him to expand on what he means by that. It is a loans scheme. Does he think that the cost is too high or about right?

Mike Pitman: Putting my accountant hat on, I have to say that 10 per cent is quite a lot of interest to pay on those loans, but it is a means to an end. If that is the price that you have to pay, it is the price that you have to pay. If it could be a bit cheaper, that would be great.

As Murdo MacDonald said, the loan is repayable if the planning goes ahead. I was surprised—I had not read the small print very well—that the interest kicks in as soon as you start drawing down on the loan rather than when planning consent is given. We are trying to use some of our own resources, if we can, to pay some of the bills, rather than borrow money at an interest rate of 10 per cent, because that is expensive.

The Convener: You are an accountant, but you did not read the small print. I will not be employing you.

Mike Pitman: That is okay.

John Wilson: You have stolen my punchline, convener.

Mike Pitman: I am just a simple accountant.

John Wilson: This is an important issue. Although you all welcome the scheme, Mr Pitman

is raising issues about the level of repayments and when repayments kick in. Do other panel members share his concerns about the level of repayments that are being requested and when the repayment period starts?

Murdo MacDonald: In reality, at financial closure you would hope to include the amount of the CARES loan in the borrowing that you are taking from the bank, so you would pay off the CARES loan immediately. In other words, if you borrowed £100,000 from CARES, you would borrow an extra £100,000 from the bank at an interest rate of 7 per cent and pay the CARES loan back. That is the model that everyone would try to achieve, rather than paying 10 per cent interest for any longer than necessary. However, that implies that you get all the way to financial closure. We heard, in the previous evidence session, that that is quite a difficult thing to do. Is it not the case, Mike, that the inevitable outcome is that you would pay the CARES loan off straight away?

Mike Pitman: If you can, but you have to find 15 per cent or whatever it is that the banks are looking for you to come up with. That is a problem if you have to find extra to pay the CARES loan back at the same time.

Alan Hobbett: The communities that I have been involved with are fairly content with the interest rate, because the risk is largely taken by CARES, although I accept that 10 per cent is fairly high. The issue could perhaps be addressed through the means by which the loan fund is drawn down. Unless things have changed in the past week, the 10 per cent contribution, or whatever contribution the community group has to make, is made on every draw down. If the loan could be drawn down first and the community's contribution made towards the end, that would assist considerably—certainly in one project that I am involved in—from a cash flow point of view. I also work with housing associations and, in the same way, the housing association grant is always drawn down first—before bank finance, for example.

Stuart McMillan: Good morning, gentlemen. I have a few questions, one of which is on planning. In the previous evidence session, we touched on the issue of the local authority versus the Scottish Government. It was suggested in a previous evidence session that the Scottish Government should have an overarching planning role on the siting of renewable technologies. Would that be welcome? Would it be worth while or would it go against the grain of local democracy and local planning decisions?

Murdo MacDonald: Communities start off with two things: no expertise and no money. That is where we start. You instantly have to go around

asking for help. One of the first places that you go is to the planners. You say that you have had an idea about a hydro scheme or a wind farm and you ask them what they think. The involvement of planners with communities is vital. The process therefore has to be local, in that we are in Argyll and there would not be much point in our talking to somebody in Edinburgh about what they thought, because they do not know the area or the geography.

We were very lucky—Mike Pitman will be pleased to hear—because Argyll and Bute planning department and Richard Kerr are fantastic at this and gave us tremendous support. That had to be local rather than national.

John Booth: That was certainly our experience when we were seeking to set up the Eigg Electric scheme. The local planning department was key to that and it was helpfulness itself.

Alan Hobbett: I reiterate that Richard Kerr, in Argyll and Bute, was exceptionally good—very professional and objective. That has been my experience in the Borders, too. However, I am aware of colleagues in other areas where the reception has been different. Local government officers are also under pressure at times, when decisions are being made by members who are concerned about criticisms that they may face. That tends to lead to a belt-and-braces approach whereby a lot of relatively small community projects are asked to deliver the same sort of information as much larger commercial projects, which can add time and expense. A central monitoring role and a presumption in favour of developments up to a certain size might assist.

Mike Pitman: The CARES loan people were extremely good at giving general advice on what we were going to do, starting from nothing and not knowing anything. They were very good. It was not just, “We can give you £137,000”; there was a lot more to it than that. That is a commendable scheme.

John Booth: We started our scheme in ignorance—what did we know about it? We had to deal with a lot of other agencies besides the planning department, including the Scottish Environment Protection Agency, Scottish Natural Heritage and so on. The approach that we found worked every time was simply to invite the planning officer, SNH and SEPA to the island, show them what we wanted to do, ask them what they wanted of us and then do it. It was quite a simple process—not as complex as it might appear to have been.

Stuart McMillan: You all now have experience and information that you did not have when you first started. Have you been asked by other community groups throughout the country to assist

them? Is there a central body or point where you can feed in your advice, which other groups can tap into so that they are not starting from zero as you did?

John Booth: We have met a number of small community groups since we started the electricity scheme. We originally made all the information about our project as it proceeded available to HIE and we now deal with Community Energy Scotland, which we have found to be a good way of bringing people together. We have consulted a lot of communities in Britain and further afield—as far away as Alaska, South America and so on.

Mike Pitman: The Boyndie Wind Farm Co-operative was the first wind energy co-op to be set up in Scotland and we have been consulted numerous times by other people who are trying to go down that route. I was not involved when the co-op was first set up, but it has been used as a model that has been built on and refined. There is also a community scheme in Udney that gives a lot of help to local community groups that want to develop wind turbine projects. Those involved with the scheme encourage people to speak to them about how they got through the planning process so that they can help those people to do so.

12:00

Stuart McMillan: I want to tie that into planning. Argyll and Bute Council has obviously been extremely helpful but, as Mr Hobbett mentioned, in other areas there might not have been such plain sailing.

Mr Pitman, you talked about the experience of your organisation. Somebody might come to you to ask for advice on a range of issues that your organisation has never faced with the planning department in Aberdeenshire. In that situation, what would you do? Who would you signpost the person on to so that they could get the advice or assistance that they require from someone who might have faced similar issues in another part of the country?

Mike Pitman: I can speak only about Aberdeenshire, but I would get the person to speak to CARES, Community Energy Scotland and the Udney group, which has been through the mill so to speak. People who have been there and done it before will always be the best source of information. The Development Trusts Association Scotland has contacts throughout Scotland. I would see whether the person could pick the brains of someone who has set up a scheme through a development trust.

Murdo MacDonald: When you start on a scheme, the first thing that you do to try to fill the knowledge gap is to talk to your peer group. That was the first thing that we did. We toured wind

farms and development trusts asking for advice. We now pay back for that. Tonight, I am going to Luss and Arden to pay back, because people there want to talk to us. That is the way it works.

The key organisation is Community Energy Scotland, which does a fantastic job of linking everyone together. As happens in any other industry, we learn from one another's mistakes. When we spoke to the boys up in Orkney and heard their horror stories, we thought that we had better not do the same, so we went and made a different mistake. We now pass on that experience to the next generation. That is the way it works. I think that Community Energy Scotland is the key, although I do not know whether the other witnesses agree.

John Booth: I agree.

Alan Hobbett: I agree absolutely with that. There is nothing like the power of example. Communities can learn from other communities, but Community Energy Scotland is absolutely crucial and central. I am aware that, of necessity, the Scottish Government has to tender contracts such as the CARES contract. Community Energy Scotland, which is a membership organisation and a charity, has been fundamental to so many developments. The organisation is seeking to develop its own wind projects to provide an independent revenue stream, but if the Scottish Government was able to provide security of funding for a number of years to come, that would without a doubt be a great help to the movement as a whole.

Stuart McMillan: The Scottish Government has a target of 500MW from community schemes. Is that too high or too low?

John Booth: It is probably too high, unless community schemes are more encouraged. It is quite a daunting prospect to set up a scheme, given all the planning issues and so on. That is where Community Energy Scotland can come in, as it can facilitate.

Mike Pitman: If planners were encouraged to look at community schemes more favourably than commercial ones, that might encourage communities to go into such schemes. As far as I am aware, community schemes are looked at in pretty much the same way as commercial ones. There is no preferred treatment for a community scheme in which, for example, 20 per cent will come back to the community. Perhaps the rules can be changed so that planners look more favourably on schemes that have significant community benefit than on schemes that are all about me.

Alan Hobbett: In my view, the target is too low—it should be higher. If it were set at twice the

current level, I would be content, particularly if the resources to enable it to be met followed.

Initially, I had not fully appreciated that the target would include broader energy capacity. The figure of 147MW that was mentioned earlier does not relate simply to electricity; it includes all forms of energy. If the target were set at a high level, it would be ambitious and challenging but, given the right resources and the good will of all involved, it would be eminently achievable.

Murdo MacDonald: The issue of resources that Alan Hobbett raises is the key one. You might think that doing this stuff is easy, but it is desperately difficult for communities to do. We put thousands and thousands of man-hours into doing it. All the time, we are learning and making mistakes. We have to keep going back. We do not have any money, so we spend half our time making grant and loan applications, getting knocked back and trying again. It is not easy. If it were easier, the target might be easier to achieve. It is desperately difficult.

We have mentioned CES. We need its help, so it needs to be better resourced to provide help, because this is not easy. All that you have to do is look at how few wholly community owned projects there are in Scotland. There are not that many of them. We need the resources. The body that can hold our hand as we go through the process is CES, so it needs resources. I fully agree with what Alan Hobbett said about that.

John Park: I think that you heard my final question to the previous panel about the wider economic benefits. I am glad that you expanded on that in your opening remarks, because that is certainly where I want to take the discussion.

It is clear that, given your community focus, you take a different approach from the approach that commercial organisations take with regard to the promotion of specific developments. With that in mind, do you believe that, in the context of community benefit, more of an onus should be placed on commercial developers to think more directly about wider, tangible economic benefits such as the direct employment opportunities that you have spoken about, instead of just saying, "Here's some money; this is what it might mean for you"?

I say that because it is clear that one of the key factors that people who are not in favour of large or medium-scale developments cite is that the economic opportunities are overegged by those who want to pursue such developments.

Murdo MacDonald: I would like to put that in a different context, if I may.

John Park: Of course.

Murdo MacDonald: The community benefits from commercial schemes are a pittance. This country is being robbed. In 25 years' time, I do not want us to look back and ask where all the money went.

That is happening right now. I will give a couple of examples. RWE Power makes about £950,000 a year profit from the 19MW scheme at An Suidhe near Inverary. The community benefit is £28,000 out of £950,000. Scottish Power makes about £750,000 net profit per annum from the 15MW scheme at Clachan flats near Cairndow, out of which the community gets £12,500. That is a pittance. We are being robbed and, as someone said earlier, a lot of the money is going abroad; it is not just going into the pockets of private developers or corporate shareholders.

A 1MW community turbine will make £50,000 a year. That money will go into the community—it will be spent right there. That is the way to do it. We should be doing that instead of just getting beads and mirrors from commercial companies, which is what we are doing at the moment. If we carry on like this, we will look back in 25 years' time and wonder what happened. The committee can do something about this. I say to Mr Brodie that I do not know how you can get round the European legislation, but there will be good lawyers somewhere in the Scottish Government who can have a go at it.

The Convener: I would not be so sure about that. [*Laughter.*]

Murdo MacDonald: You need to find a way to make communities run these things and benefit from them. I use the word “communities” in the largest sense; it could be a farmer, a village or a local authority. That is the way in which to keep the money in the communities.

We did not start with the idea of building a wind farm. We were not in the business—I apologise to Mr Harvie—of saving the planet. We wanted to implement our community action plan, which includes all the things that we need in our community. Every rural community in Scotland has one. Our plan includes all the things that we need, such as affordable housing, crèche facilities, sports facilities, environmental improvements and sheltered housing—the facilities for our people that require to be built. If communities get the money, communities will spend the money, and that is where you will get the employment.

John Park: I nearly clapped there, but I am not sure whether that would be appropriate in a committee. [*Laughter.*]

John Booth: I endorse what Murdo MacDonald said, and I am sure that Alan Hobbett would do so, too. Our scheme is wholly community owned and it operates for the benefit of the community. All the

benefits that accrue from that, some of which I described earlier, go straight into our community and all the people who work on the island. To me, community ownership of a scheme results in community benefit.

Things are difficult when people start to develop a project, because that is when they have the least knowledge, so that is when they need the most help. Community-owned projects such as ours and the one on Gigha are of enormous benefit to the community, and not just because they create jobs, provide income, provide benefit and allow the community to grow. The people on Eigg, for example, like our scheme and are proud of it. It is ours. We run it ourselves, and our friends are the people who maintain it. If there is a problem, we can all discuss it. Everybody has input to the scheme, everybody takes pride in it, and everybody benefits and can see the benefit. It does more than just provide financial benefit, jobs and so on. It gives the community something as well.

Alan Hobbett: John Booth and Murdo MacDonald are absolutely right. When we announced the first year's profits from the dancing ladies on Gigha, the front page of *The Press and Journal* stated the community benefit payment that had been made for the Farr wind farm, which was more or less the same as the total benefit from the Gigha wind farm. The difference is that the Farr wind farm is 100 times larger by installed capacity. That shows the difference between community ownership of a scheme and the community benefit that might be paid.

We call the turbines the dancing ladies because the islanders are proud of them. They are a big part of the cultural importance of the island. When I first went to Gigha, one of the older residents, the late Vie Tulloch, said to me, “Alan, when are we going to put the begging bowl away?” She was referring to the time when we were seeking grant funding. She asked, “When are we going to do this for ourselves?” One of the fishermen said to me, “When can we start rowing our own boat?” When we built the turbines, the jubilation in the community was tangible. Now the island was paying its own way. That is important for the wellbeing of a community.

Patrick Harvie: A great deal of this is music to my ears. I say to Murdo MacDonald in particular that, if he ends up helping to save the planet merely by happy accident, I will settle for that. On his comments about the idea of local authorities taking an equity stake, such a role for local authorities is something that I have been arguing for, too.

Does the panel agree that regardless of the level at which the target for community and locally owned renewable energy capacity is set—it is

currently 500MW—we need to unpack it and be more specific about what it means, as I discussed with the previous panel? Unless the Government is clear about how much of the target is to be met from community ownership—ownership is central—it will not be clear what is needed in terms of capacity building in communities; finance through loans or grants, or through the local authority taking equity stakes; and changes to the planning rules.

As long as there is the ambiguity of community and locally owned capacity being lumped in the same pot, it is unclear what the Government expects the community-owned sector to deliver. Do we need to break that target down and be more specific about what it really means?

12:15

Alan Hobbett: It would be useful if the target was broken down. There are benefits from all those things. Local ownership, regardless of whether that means community ownership, brings significant benefits.

Patrick Harvie: Absolutely, but communities represent something different and have different needs.

Alan Hobbett: They do, and I agree with the previous panel's comments that it would be advantageous. There are some grey areas, as there are a number of joint ventures between communities and local farmers, for example, which bring mutual benefits, but I think that it would be useful.

Mike Pitman: It is difficult for community organisations to take a view on that. I mean no disrespect to these gentlemen, but I am interested in getting our turbines set up in Fraserburgh, rather than in what is happening in Gigha. I want to benefit my community, not somewhere 100 or 200 miles away. Everyone in the community wants the best for their locality, and it is difficult to see oneself as part of a big movement. We are trying to be a bit selfish.

Patrick Harvie: I suggest that the Government will be more effective at supporting communities to do what needs to be done to achieve that local success if it is clear about what it hopes will be delivered at the community ownership level.

Mike Pitman: I agree.

Murdo MacDonald: One way of getting closer to that target is to have more community ownership, on the basis that we live where we put our turbines up. We are not interested in spoiling the landscape because we live there.

We balloted the people in our peninsula and 92 per cent of them supported the wind farm project,

because they can see a real benefit from it. They are not going to object in the same way as they would if it was a big commercial thing that was on a scale completely out of proportion.

Mike MacKenzie: My question is really for Alan Hobbett. I remember going to the conference that the community on Gigha organised shortly after they switched on the dancing ladies. It was terrific: we admired the dancing ladies, and then we danced with some other wonderful ladies. We also learned a lot.

As Gigha was one of the front runners, it has acquired a fair degree of expertise in that area. I visited around three or four years ago, when there was a particular problem with the grid connection for the proposed new turbine. Your community already knows what it is doing. How long did it take you to get through the whole nine yards of the necessary process prior to going to the bank?

Alan Hobbett: Interestingly, the first development took literally 18 months from the first discussion to the machines turning, which was very quick indeed. One should bear it in mind that it was essential that we got the money in quickly, which is why we went for second-hand machines. The feed-in tariff did not exist at that time, so the project was funded through the renewables obligation, which meant that the returns were smaller.

Other projects take longer for one reason or another, not least because they might need a full environmental impact assessment, which often requires 12 months of bird data, for example.

It has taken us much longer with the second, single-turbine development than it did with the first, three-turbine development. Grid connection is a major issue. Although we have a grid connection agreement, we will initially have to de-rate the machine until the infrastructure on Kintyre is improved, at which point we will be able to release the de-rating.

Even in the first instance, we were only able to achieve the output that we did because we had Dr Colin Anderson as our consultant. He was able to identify a piece of kit—which had not previously been used in this way—to regulate the voltage and make the machines compliant.

Mike MacKenzie: Will you give us an idea of how long it took, from when you first decided to go for another turbine, to get to the point of the process at which, had the finance been in place, you would have been able to proceed?

Alan Hobbett: Someone would be doing exceptionally well if they did that in two years.

Murdo MacDonald: That is very quick.

Alan Hobbett: That is why I said that someone would be doing exceptionally well to do that in two years.

Murdo MacDonald: The guys in Udney took seven years for a single turbine.

Mike MacKenzie: How long will it take you, Murdo?

Murdo MacDonald: We have been going for two years, and we are hoping—just hoping—to apply for planning permission in the autumn or winter of this year. We are therefore looking at at least four or five years.

Mike MacKenzie: Alan, given that Triodos has turned you down, is there a contingency plan? Where do you go next?

Alan Hobbett: We are looking at alternative means of funding. That will potentially be through private placement bond funding as opposed to bank debt funding. We are pleased to be able to access individuals and institutions that are willing to consider that, but a bank debt would be the simplest, least expensive and favoured option.

Mike MacKenzie: What is the financial cost to the community to date, including the fourth turbine? What is the social capital cost, including the cost for volunteers?

Alan Hobbett: There is a tremendous amount of voluntary input. At the time of the buyout there were 100 people on the island. There are now 150 people, which is a significant increase over that period. However, with just 150 people, we are operating three community businesses, all of which require the input of volunteer time—not least as board members.

Given that we are on an island, and that the grid is weak and upgrades are needed, and that we are using an Enercon 330 machine, the costs would be in the region of £1 million. The costs are significant and are necessitated by the particular circumstances of the island.

Mike MacKenzie: I apologise; I probably did not phrase my question very well. What I want to know are the upfront costs that you have had to meet to get to this stage of the project.

Alan Hobbett: The costs are considerable. I can speak with more confidence about the development in Berwickshire—to reach the stage of submitting plans for consent has cost about £150,000. In my experience, that is a typical amount for similar developments of a 7.5MW scale.

Chic Brodie: John Park was going to applaud and I was going to do a lap around the table when Murdo MacDonald spoke, because what he said was heart-warming in terms of the commitment to the community.

Community Energy Scotland has been mentioned—that organisation should be applauded because of the consistently enthusiastic views on its efforts. We have talked about HIE and the funding difficulties. What is the relationship between CES and HIE? I say to Murdo MacDonald that I do not think that local authorities can make a direct equity investment in companies, whereas HIE can.

As there is enthusiasm and there are shared views, has thought ever been given to forming a collective of community organisations, given the clout that that would engender and the fact that it could be an energy powerhouse, if wave and tidal come through in Scotland?

My questions are: what is the relationship between CES and HIE; and has thought ever been given to forming a collective to give you more clout when approaching lenders and so on?

Alan Hobbett: I can certainly talk about the relationship between CES and HIE. Initially, a community renewables unit was set up within HIE. That occurred at the same time as the developments on Gigha. Given the success of Gigha and the recognition of its potential importance to other communities, HIE and some of us who had been involved agreed that it would be appropriate to set up a new company. At that time it was called the Highlands and Islands Community Energy Company, and was set up as a subsidiary company of HIE, which was the only shareholder. A volunteer board was established, but full control lay less with HICEC than with HIE. HICEC was the forerunner of CES. The intention was always that HICEC would ultimately become independent and after three years we moved towards that, when the new company—CES—was established. It was a membership company—membership was open to any community group or organisation that shared the company's aspirations. We achieved charitable status and became a Scotland-wide organisation. It is now fully independent of HIE and is fully accountable to its membership, which is open to any community body or charitable body.

CES continued to deliver some HIE funding for a number of years and had relationships with some local authorities, for example those in the Western Isles and Orkney, which were supportive of developments in their own areas and provided funding in support of that. However, CES is now an independent, charitable, membership-based organisation.

Murdo MacDonald: I do not know whether the committee has received evidence on this before, but CES has a trading arm—CES Trading—which it hopes to develop to do the sort of investment that HICEC did in Gigha many years ago. However, it needs Government support for that.

One thing that I hope is coming across to members is that all these community-owned schemes have been great successes. They do not need a lot of fixing—we just need more of them.

Chic Brodie: In its written submission, CES said that

“there is a wealth of evidence”—

I will not ask, “Where’s the evidence?”—

“that local organisations are best placed to provide advice and support to householders and small businesses in relation to energy efficiency.”

Can the panel give some examples of how that is being applied?

John Booth: If you are talking about reduction of consumption, the Eigg Electric scheme, being small, limits the amount of electricity available to our customers. That was decided by consultation and agreement with our customers. We found that the scale of the project that we could afford was insufficient to allow everybody the same amount of electricity as people enjoy on the mainland. Mainland levels are perhaps 20 to 25kW of availability. We felt that it would be necessary to restrict that so that we did not reach a point where consumers could bring the system down in winter. We proposed to limit households to 5kW and businesses on the island to 10kW. Although those amounts sound low, the reality is that if people work with them, they can do everything they can do on the mainland—but not all at once. They cannot be wasteful, either. People can have and use a washing machine, a dishwasher and so on, but they cannot use them at the same time—they need to use them sequentially.

12:30

After coming up with that concept, we met in the normal way with the residents association and I proposed that we should discuss the concept. We took in comments and discussed the matter with the education authority, the national health service and BT—as they are all represented on the island—and the island businesses. The amounts were agreed: all domestic premises on the island are capped at 5kW; for businesses, the cap is at 10kW. If someone exceeds their 5kW cap, they are tripped off the system and they need to get someone from Eigg Electric to come and put them back on again. It is as simple as that.

Our original proposal was to have a six-month period during which, if people tripped themselves off, we would go along, ask how they had done it and discuss the matter. The schoolchildren also did educational sheets on how much energy things consumed. The idea was that after six months, we would levy a charge if somebody from the maintenance team had to go out to turn the

electricity back on. However, we found that so few people ever cut themselves off—it is almost negligible; it is so close to zero it might as well be called zero—that we do not levy a charge. If someone trips themselves off by accident, we go and turn the electricity back on—it is not a significant cost to the system.

There was a lot of discussion about the scheme on the island, and people’s pride and interest in the scheme mean that they work with it. The system of limiting the total amount has a lot of benefits. An upper limit was set for the size of cables, transformers and so on that we needed for our scheme. Also, there is no peak hour with our system, which spreads out the load during the day so people have to use things sequentially. That works to the benefit of our renewable energy generators—by spreading out the loading, we do not get peak morning and evening demand. There are a lot of benefits to limiting power availability.

Chic Brodie: I have a vision of 100 washing machines going at 2 o’clock in the morning.

I do not have the statistics, but what has been the impact of the turbines on visitors to the islands and to your areas—on tourists or on visitors generally? Have they been turned off by the turbines or not? Have they given you any views?

John Booth: The system on Eigg is quite a draw because it is unique. People coming to the island want to have a look at the scheme. We do a lot of tours around it. It has also stimulated interest from universities and so on. We have a strong connection with the postgraduate renewables department at the University of Dundee—we are part of the course. The students come for a week to study our system and we provide data and so on. Visitors have a considerable interest in the scheme. It is a big draw.

Alan Hobbett: Mr MacKenzie was across for—

Murdo MacDonald: For the dance.

Alan Hobbett: Yes. A good dance it was too, I remember.

We certainly did a good trade initially. Many groups from communities throughout Scotland still come to see what Gigha has done, both with the turbines and more generally. That is a fairly specialist niche within the general attraction of the island. In our experience, there has certainly been no fall-off in the numbers visiting—quite the reverse, really. That can be tracked quite easily, because everybody—with a few exceptions—comes by Caledonian MacBrayne so we can get the visitor numbers that way. Other factors are much more important, particularly the weather—it is the big player. The turbines have definitely had no negative impact on tourism or visitors.

John Wilson: You will be glad to hear that I have only two brief questions. The first one does not really apply to Eigg or Gigha, but is for Mr Pitman. Who owns the land that the turbines are built on? Do you buy the land and does it come into community ownership, or is it leased from someone else? As an accountant, how do you cost that into your running costs?

Mike Pitman: Having access to the land is the most important thing; who owns it is a secondary matter. It is great if the land can be owned; if not, it can be leased, with, for example, a 25-year lease. That gives us the opportunity to get a community-owned turbine up.

We have two potential projects on the go with the development trust in Fraserburgh. In one, the guy does not want any rent, as he is very altruistic. The other one wants a rent of £30,000 a year, which is an extremely doable proposition. He wants that money to spend it on a community development of his own. He has a handicapped son and employs handicapped people in and around his farm, and he wants to continue that in perpetuity, so he wants 30 grand a year income. We are supportive of that, and if we can get the lease it will be for 25 years. Getting access to the ground is the most important thing; it does not matter who owns it.

John Wilson: Clearly there is a community benefit in that example, in terms of what you will be paying for the lease.

Murdo MacDonald: It is the same with us. We lease land from two farmers—local guys, who were born and brought up on the peninsula—for 25 years. First we took an option and then we took a 25-year lease on the land. They get paid a pro rata amount. There are various different models: an amount per installed megawatt, a percentage of the gross revenue, or a percentage of the net profit. In Orkney, a percentage—or residue—of what is left after the community has paid off its bank loan and interest goes to the farmers. There are different models, but they are based on a lease.

John Booth: We found the same on Eigg. Even though most of the project sits on community-owned land, enough privately owned land was involved to necessitate negotiation of 14 wayleaves for cabling to cross the land, or for transformers to sit on it. That was a time-consuming process—it took nearly two years.

Alan Hobbett: I am currently involved in four projects: one in Gigha and three others. Three of the four are on privately owned land and only one—Gigha—is on community-owned land.

John Wilson: My second question is this: if you each had one minute, how would you respond to Communities Against Turbines?

Alan Hobbett: I would say that we should keep the discussions rational and respectful. Let us not pretend that wind turbines and renewables do not work. Let us look at the evidence and discuss the facts. Yes, wind turbines have a visual impact. Some people like them and some people do not. In some places they are appropriate in the context of the local landscape; in other places they may not be. Let us not pretend—let us be real and discuss the real issues. Otherwise we just end up misleading people, which is in nobody's interest.

Murdo MacDonald: Respect and honesty are the important words here. I said earlier that communities developing wind turbines in their own areas are not in the business of despoiling the landscape—we live there. I respect anyone who does not like wind turbines' visual impact—that is a perfectly respectable position. People either like them or they do not. It does not make someone a bad person if they do not like them. However, we have to look at the facts.

Our project has enough ground and grid capacity—we are very lucky—to have a 12-turbine, 36MW wind farm on our peninsula. We are not going for planning permission for that, because it would look awful. We have, with the help of our landscape and visual impact experts, scaled that right down to within SNH guidelines. That has left us with a five-turbine 92m-high scheme. Turbines can be made to fit into the landscape. Nobody is trying to despoil the country, and some of the accusations, rhetoric and emotions that come from CATS do not help us at all.

Mike Pitman: I would be interested to hear from CATS whether it could provide us with £50,000 income each year from another source. The wind turbines can produce £50,000 of income, which we will spend locally to develop the community.

There is an interesting situation in Fraserburgh, Aberdeenshire, where—wearing my accountant's hat—I have two clients who are putting up turbines. My clients have received objections from people who live in Alford, which is quite a long way from Fraserburgh for them to be able to see the turbines and assess the visual impact. Those people are not looking at what is happening in the local community.

To return to Murdo MacDonald's point, we are not trying to despoil the local community. We live there and I really cannot quite understand how someone who lives 60 miles away is concerned about the visual impact of turbines in the Fraserburgh community.

John Booth: That is the point that Murdo MacDonald is making. With a community project, we negotiate with the community because we share the same interests. There may be minor

disagreements, but we can reach a consensus. The outlook of an external commercial venture is different. Those involved do not live in or belong to the community and they want to make money from the area, so their approach to people will be different and it is quite easy for contentions to arise.

Chic Brodie: So, we will build a golf course there.

The Convener: We will just leave that remark to hang in the air, Mr Brodie.

I thank the witnesses. The session has been helpful—and long, so we are a bit behind the clock.

Before we move on, I propose that we go to the Conveners Group with a request for a chamber debate on the outcome of the committee's renewable energy targets inquiry. I raise the issue due to the timetabling of parliamentary business—we need to reach agreement today, if we can.

The proposal is that the debate would, obviously, take place after the report is published. After publication, a period of two months must be allowed, so realistically we are probably talking about November. Do members agree to seek approval from the Conveners Group to go down that road?

Members indicated agreement.

12:43

Meeting suspended.

12:44

On resuming—

Annual Report

The Convener: Item 2 is consideration of our draft annual report for the parliamentary year 11 May 2011 to 12 May 2012. The draft report, which has been circulated, follows the standard format and includes a brief synopsis of the work that the committee has carried out over the past 12 months. Do any members have any comments?

John Wilson: On inquiries and reports, would it be possible to include the short inquiry that we had last June on the energy price increases? We agreed that that would be a one-off inquiry in response to Scottish Power's announcement that it was going to raise fuel prices.

Also, I am not sure about the term "first-time MSPs" on the last page of the draft report. We could use the term "newly-elected MSPs" instead. Some of the MSPs who were elected for the first time this session have a great deal of experience in other areas, so "first-time" is not exactly the phrase that I would use.

The Convener: We can make that change. Do members agree with the other change proposed by Mr Wilson?

Members indicated agreement.

Stuart McMillan: Should we comment on the renewable energy targets inquiry that we have started?

The Convener: My sense is that we are reporting on completed work, which is why the energy inquiry is not mentioned. I think that that is the standard approach taken by committees.

Stuart McMillan: I pose the question because we have undertaken a lot of the evidence sessions in the period that the report covers.

Stephen Imrie (Clerk): Ordinarily, as the convener said, the committee reports on the work that has been carried out within a given year—in this case, from May 2011 to May 2012. However, it does not have to be completed work. We could not mention any final report, because it has not been produced yet. However, with the committee's agreement the report could certainly say that a major inquiry is under way in this parliamentary year and will be reported on in due course.

Stuart McMillan: I am happy with that.

John Wilson: On that point, convener, would it be worth indicating how many evidence sessions we have had over the period covered by the annual report? To say that we are engaged in an inquiry does not reflect the time that we have

spent on the inquiry to date. We have had roughly 10 evidence sessions so far—they have taken up a large chunk of the year since January. It would be good to try to reflect that more accurately instead of just listing the inquiries that we have held and the reports that we have produced. Almost a quarter of our time has been spent on the inquiry.

The Convener: I am sure that we can refer to the time that we have spent on the inquiry so far, although the annual report is intended to be a brief synopsis of the work that the committee has done.

If everyone is happy with that, are members content for me to sign off a final version, or would members like to see the report again?

Chic Brodie: We made recommendations on the business gateway service. I thought that we also said that we would review how ready it was. Did we not say that we would have a quick session with business gateway before the contracts were issued?

Joanna Hardy (Clerk): We might have indicated that.

The Convener: I do not think that we have to refer to that in the annual report.

Chic Brodie: Okay.

The Convener: You may well be right, but the report is intended to be a brief overview of the work that we have done, so I do not want to get into a big debate about whether every aspect of what we agreed should appear in it.

Are members content for me to sign off the revised report?

Members *indicated agreement.*

12:49

Meeting continued in private until 13:16.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

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