



COMMUNITY OWNERSHIP IN RENEWABLES – JOINT VENTURE

Report by Chief Officer, Economic & Community Regeneration

PURPOSE

- 1.1 The purpose of the report is to provide an update on the Community Ownership Joint Venture, and to seek approval for Comhairle representation within its initial delivery structure.

EXECUTIVE SUMMARY

- 2.1 The potential for a renewable energy sector in the Outer Hebrides has been in discussion for the past 25 years. With agreement now in place around the required grid infrastructure, it is anticipated that the wind farms will be built out over the next five years with an expected energisation date of October 2030.
- 2.2 It has been a key goal that the community is able to share in the benefits of any major wind farm through an ownership stake in that wind farm. 20% ownership in the Stornoway Wind Farm was negotiated by the Stornoway Trust as part of its lease agreement with Lewis Wind Power. A 20% agreement was subsequently achieved with the Uisenis Wind Farm by Muaitheabhal Community Wind Farm Trust. These two agreements represent industry-leading levels of community ownership negotiated into commercial wind energy projects. If the wind farms are built as presently anticipated this will bring in the region of 80MW of energy generation into direct community control. This will represent the largest level of community owned generation in the UK.
- 2.3 To deliver this opportunity, the Stornoway Trust, Muaitheabhal Community Wind Farm Trust and Comhairle nan Eilean Siar have come together in an informal joint venture to explore the optimum legal and financial models that will enable the community to take up the 20% ownership offer. Good progress has been made in the last 10 months, and it is now proposed to move from the informal partnership into a properly constituted legal entity. At this stage a limited company structure is believed to be the most straightforward vehicle. The report seeks approval of the Comhairle to engage in the new company structure, with the three Members who currently represent the Comhairle on the Joint Venture Steering Group being nominated to sit as Directors of Eilean Siar Energy Ltd.
- 2.4 Several considerations over the next two to three years will define understanding of revenue returns and timescales. It may yet be the case that a decision will be made not to take up the shared ownership offer in full, or at all. The three partners have, however, commenced discussions to agree key principles on revenue dispersal. An initial discussion paper is at Appendix 1.

RECOMMENDATIONS

- 3.1 It is recommended that the Comhairle:
 - (a) notes progress with the Community Ownership Joint Venture; and
 - (b) agrees that the Comhairle be represented on board of Eilean Siar Energy Ltd. as detailed at section 7.6 of the report.

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Background Papers: Report to Sustainable Development Committee, 13 June 2023
Report to Policy & Resources Committee, 27 November 2024

Appendices: 1. Principles of Funding Dispersal – Initial Discussion Paper

IMPLICATIONS

- 4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	There has been a contribution towards project costs incurred by The Stornoway Trust. An application for external funding is well in progress and would cover costs associated with legal and financial due diligence.
Legal	None at this stage but legal advice is being commissioned.
Staffing	Comhairle staff have provided support to the Elected Members participating in the Joint Venture steering group.
Assets and Property	None
Strategic Implications	Implications/None
Risk	None
Equalities	None
Corporate Strategy	Supports the Corporate Strategy 2022-2027 ambition to strengthen the local economy.
Environmental Impact	None
Consultation	None, but it is anticipated that once there is greater certainty on revenue amounts and timescales, there would be community consultation on priorities for utilisation of revenues.

BACKGROUND

- 5.1 The HVDC connection between the Outer Hebrides and mainland grid will trigger the energisation of onshore wind energy schemes currently consented, two of which contain a shared ownership options which, could bring significant financial return to the local community.
- 5.2 The Comhairle previously agreed the formation of a Joint Venture between the Comhairle and The Stornoway Trust to take forward the offer to The Stornoway Trust of a 20% ownership share in Stornoway Wind Farm. These discussions date back to c2017 but were paused due to uncertainty over the realisation of Stornoway Wind Farm.
- 5.3 A report to Sustainable Development Committee in June 2023 provided background to the Joint Venture opportunity and proposed that, with the prospects of deployment of onshore wind on a renewed trajectory, it would be appropriate to restart discussions on the community ownership stake of 20% in Stornoway Wind Farm. It was agreed that the Comhairle would seek to participate in a Joint Venture Agreement with the Stornoway Trust to maximise benefits to the community through the community ownership stake and would nominate three Members to sit on the Joint Venture Steering Group. The representatives on the Joint Venture Steering Group are Cllrs Paul Steele (Council Leader), Duncan Macinnes (Council Depute Leader), and Norman Macdonald (Vice-Chair, Sustainable Development Committee).
- 5.4 The Joint Venture Steering Group agreed that Muaitheabhal Trust, as the receiving body for Community Benefit from Uisenis Wind Farm, should be invited to become part of the Joint Venture so that a single vehicle comprising the Comhairle, The Stornoway Trust and Muaitheabhal Trust handles the Shared Ownership in both Wind Farms, totalling 80MW+ of renewable electricity. A Report to Policy and Resources Committee in November 2024 sought the Comhairle's ratification of the Joint Venture steering group's decision to add Muaitheabhal Trust to the Joint Venture.

- 5.5 The project has gained significant momentum since January 2025, supported through employment of a part-time Project Manager and the Joint Venture Steering Group meeting on a six-weekly basis. Initial discussions are on-going with a range of potential investors, partners and stakeholders and it is now proposed to move from the informal partnership into a properly constituted legal entity with an appropriate name, image and identity. The report outlines key areas of progress over the past six months and anticipated outcomes to end March 2026.

PROJECT SUMMARY

- 6.1 To ensure that the unprecedented potential from that level of community ownership is delivered the Stornoway Trust, the Muaitheabhal Community Wind Farm Trust and Comhairle nan Eilean Siar have agreed to work together in a joint venture to ensure that the potential inherent in the 20% community ownership is achieved and maximised.
- 6.2 The purpose of the joint venture will be to establish an operating body (or bodies) to own either the generating plant or project profits, maximise potential income and ensure the fair distribution of that income to the communities most impacted by the wind farms and subsequently to the wider community of the Outer Hebrides.
- 6.3 The purpose of the joint venture will primarily be achieved through:
- on-going discussion and negotiation with developers to ensure their on-going support and positive engagement;
 - the undertaking of robust due diligence through the commissioning of legal and financial advice to ensure robust exploration of ownership options and to ensure the most effective and efficient operating model is deployed;
 - discussion and negotiation with Government bodies and financial institutions to raise the required project capital;
 - community consultation and the development of a framework and operating plan to ensure appropriate and equitable distribution of funds; and
 - the exploration of ownership opportunities in emerging energy projects.

PROGRESS SINCE JANUARY 2025

- 7.1 The Stornoway Trust identified the need for Project Management support to the project and proposed that this be done through the Stornoway Trust engaging the Comhairle's former Depute Chief Executive on a part-time, consultancy basis. All three Joint Venture partners agreed to make a financial contribution to this contract, which is currently anticipated to run to end March 2026. While it was further anticipated there would need to be a partner financial contribution to financial and legal due diligence, this work is currently the subject of a Community and Renewable Energy Scheme (CARES) funding application which is anticipated to have a successful outcome over coming weeks.
- 7.2 Tasks undertaken by the Project Manager since January 2025 have included:
- reviewing, aligning and integrating the shared ownership offers that exist
 - liaising with developers to ensure their on-going support
 - commissioning due diligence on legal and financial frameworks / model(s) and subsequently agreeing delivery model(s)
 - raising initial project funds for due diligence and related activities
 - opening discussions with financial institutions and potential partners
 - preparing framework for future investment plan and related community consultation
 - exploring opportunities for ownership potential in other renewable energy projects

- 7.3 Initial discussions with UK and Scottish Government, financial institutions and alternative sources of funding, including GB Energy, have been extremely positive. Developers also remain supportive of the community ownership opportunity being realised.
- 7.4 The Joint Venture will in due course be taking legal advice around the final ownership, operational and charitable structures that require to be in place ahead of the community ownership being assumed and becoming operational. In the meantime, there is a requirement to legally formalise and constitute the Joint Venture. The Steering Group have agreed to set up a Company Limited by Guarantee as an appropriate structure for the current needs of the project. This structure is easy to incorporate, has a well-established and understood form of constitution, an ability to raise debt and equity and is flexible in its constitution and ownership structure, with the ability to operate on a not-for-profit basis if required. Consideration having been given to a range of names, 'Eilean Siar Energy' has been chosen and associated design work commissioned. Eilean Siar Energy received a press launch in July 2025 which was well received.
- 7.5 The membership of the Joint Venture Steering Group comprises of:
- three representatives from the Stornoway Trust
 - three representatives from the Muaitheabhal Community Wind Farm Trust
 - three representatives from Comhairle nan Eilean Siar
- 7.6 It is proposed that the representation above be carried forward into the board structure of Eilean Siar Energy. To ensure continuity, it is suggested that the Comhairle's current representatives on the Joint Venture Steering Group become the Comhairle nominated Directors of the Eilean Siar Energy, and that in future the Comhairle's three representatives on the Board of Eilean Siar Energy Ltd. would be:
- Comhairle Leader
 - Comhairle Deputy Leader
 - Chair / or Vice Chair Sustainable Development Committee

PRIORITIES TO END MARCH 2026

- 8.1 Regarding the current offers, developers will fund pre-implementation and construction costs. The community has 12 months post energisation (2030) to "buy in" up to 20%. The costs of taking up the shared ownership offers are therefore not confirmed at this stage. However, the current CARES funding application will support Eilean Siar Energy to commission high level financial modelling and sensitivity analysis to help inform preliminary decision-making over the next period. This will support an understanding of the level of investment required, when this finance would need to be in place, and also rate of return. The CARES application will also fund legal advice on operational on optimum legal entities.
- 8.2 The Comhairle may also wish to secure independent advice at a future point in time to ensure its own due diligence is undertaken prior to formally entering into any agreement with other parties in respect of the project. This is not required at present as no decision has been made in terms of the limited company's role in buying into the projects and associated levels of risk either for the limited company, its Directors, or the partner bodies.
- 8.3 The Joint Venture Steering Group have had an initial high-level discussion around the key principles that may be followed in relation to future dispersal of revenues generated by the joint venture. This has been supported by an initial discussion paper, seeking to capture what the initial high-level principles may look like. That document is attached at Appendix 1 for Members information and provides a useful starting point for further discussion and agreement in coming months. Members may note that the discussion paper poses questions on the most appropriate use of revenues, and it is proposed to develop an initial Investment Plan through community and stakeholder consultation, including with the three partners that have formed Eilean Siar Energy. Furthermore, there is a need

to revisit historic understandings of the geographic and % split of revenues in terms of 'host community' and the wider Outer Hebrides, to ensure these remain valid and accepted by the three partners.

CONCLUSION

- 9.1 The proposals for Eilean Siar Energy could bring up to 80MW of wind energy generation into community ownership, which would create the largest community-owned windfarm in the UK. Commissioning of a dedicated Project Manager and a regular schedule of Joint Venture Steering Group meetings has allowed good progress to be made on fundamental aspects of the project. Engagement with Government, financial institutions and developers over the past six to eight months has been extremely positive and receptive to the potential impact of the project and the opportunity it offers for community benefit from renewables.
- 9.2 Over the coming period, the establishment of Eilean Siar Energy Ltd. will enable more formal discussions to commence with developers and potential funders. The focus will be on financial and legal due diligence and reaching an initial consensus among the Eilean Siar Energy Board on future investment priorities and distribution mechanisms.

PRINCIPLES OF FUNDING DISPERSAL – INITIAL DISCUSSION PAPER

BACKGROUND

1. Two major commercial wind farms in the Outer Hebrides (Stornoway Wind Farm and Uisenis Wind Farm) contain proposals for community ownership of up to 20% of the installed capacities.
2. The 20% offers in both projects were negotiated by Stornoway Trust, Muaitheabhal Community Wind Farm Trust and Comhairle nan Eilean Siar.
3. Eilean Siar Energy has been established by the Stornoway Trust, Muaitheabhal Community Wind Farm Trust and Comhairle nan Eilean Siar based on the principle that there is strategic benefit and strength in establishing one administrative and benefit dispersal body.
4. Eilean Siar Energy is an independent, limited company established to fully explore the potentials, benefits and disbenefits of taking up that 20% ownership potential.
5. Assuming taking up the ownership opportunity proves feasible, Eilean Siar Energy (and related bodies to be established) will evolve to become the ownership and benefits dispersal body.
6. At this early stage it is difficult to assign a value to the revenue return to Eilean Siar Energy. Several considerations over the next two to three years will define the final revenue return and its phasing.
7. A fuller understanding of the revenue return and timescales will be required before a more formal dispersal plan can be formulated. It is useful, however, for an early set of key high-level principles to be formulated at this stage to help inform the longer-term approach to benefits dispersal.

HEADLINE PRINCIPLES

8. Eilean Siar Energy will administer the delivery of any revenues and community benefit funds arising from the 20% ownership in the Stornoway and Uisenis Wind Farms.
9. Eilean Siar Energy will develop an Investment Plan that sets out the strategy and priorities against which available funding will be disbursed.
10. Eilean Siar Energy will be independent of the three establishing bodies - the Stornoway Trust, Muaitheabhal Community Wind Farm Trust and Comhairle. Directors of Eilean Siar Energy will take decisions and implement them with full independence from the establishing bodies.
11. Partner, stakeholder and community consultation (1) will be used to inform the development of Eilean Siar Energy's Investment Plan. This will include specific engagement and reference to the three establishing bodies.
12. Bodies from across the Outer Hebrides will be eligible to apply for support from Eilean Siar Energy. Eligibility criteria will be developed based on the requirements of the initial Investment Plan.
13. The Stornoway Trust, Muaitheabhal Community Wind Farm Trust and Comhairle nan Eilean Siar will be eligible applicant bodies to Eilean Siar Energy. They will also be eligible to act as "delivery bodies" if Eilean Siar Energy decides to invest in specific activity to achieve its strategic Investment Plan objectives.

14. Eilean Siar Energy's investment objectives will be to support (a) economic development and (b) community wellbeing across the whole of the Outer Hebrides. This will entail the establishment of a development company and charitable body to sit alongside the ownership body.

15. Eilean Siar Energy investment will be weighted towards those areas most directly impacted by the Stornoway and Uisenis Wind Farm developments based on a 75% / 25% split. (2)

16. The Stornoway Trust area and the Sgìre nan Loch Comhairle Ward, plus a defined portion of North Harris will be the primary (75%) beneficiaries of Eilean Siar Energy, based on these being the most impacted communities. (3)

17. The remaining 25% will be available to fund projects across the whole of the Outer Hebrides, including those benefiting specific communities or strategic and cross-community investment.

Points for discussion:

(1) Thoughts on how we should initiate consultation – could be built on the launch of Eilean Siar Energy by having early engagement with identified partners, stakeholders and community groups?

(2) The historic thinking around this was a 75% / 25% split. Does this remain appropriate / relevant or is it a subject for further discussion?