



BELLTOWNPOWER

Belltown Power UK Wind Ltd ("Belltown")

WELSH ONSHORE WIND

Community Ownership Frequently Asked Questions

Version 1

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Introduction

- Belltown intends to provide shares in its consented wind energy hub projects to local Partner Community Organisations, dedicated to community benefit purposes.
- This FAQ document outlines the community ownership opportunity for a relevant wind energy hub project, with a view to a suitable Partner Community Organisation being identified for bilateral discussion and negotiation.
- This FAQ document is intended to provide general information that may initiate co-operative engagement with a potential Partner Community Organisation and (for legal reasons) we emphasise it is not an invitation, or inducement, in relation to, or a public offer of, any investment.

Who would be offered an ownership share?

- The ownership share would only be available to a Partner Community Organisation. This would need to be an incorporated entity set up by, managed by and for the benefit of the local communities. Ownership shares would not be available for individuals to acquire. The Partner Community Organisation would need to be incorporated (i.e. not just a committee or council) so that it has the legal right to hold ownership of the shares.
- Any financial returns received by the Partner Community Organisation from the ownership stake would have to be used to fund initiatives that benefit the local communities, in the same way that community benefit funds from wind farms have been used for many years. Which communities benefit and to what extent will be determined through consultation with the many relevant stakeholders (e.g. local councils, elected officials and other representatives of communities hosting the scheme), following latest government guidance and best practice on community benefits.
- Belltown will work with these relevant stakeholders to help determine the best form of incorporated entity for them to set up, as well as how that entity should be governed and controlled. Examples of potential types of incorporated entity could be a Community Benefit Society, a Charitable Company Limited by Guarantee, a Community Interest Company, or potentially just a Company Limited by Shares with appropriate, unalterable constitutional restrictions. In some cases there may already be a suitable entity set up in the community to hold the ownership stake.

What type of ownership would it be?

- Belltown expects the ownership stake to be in the form of ordinary equity shares in the “special purpose vehicle” company that owns the project. This company owns nothing but the project and hence the ownership stake would only be in the relevant project. This company has no employees (only a board of directors), but is managed by the Belltown team.
- If Belltown sells the project company to another owner in the future, the shares owned by the Partner Community Organisation would remain unaffected. Belltown would only be able to sell the shares it owns and would not be able to force the Partner Community Organisation to sell theirs.
- This ownership stake would not come with any control rights, but Belltown (or any subsequent owner) would have an obligation not to do anything with the company that impacted the Partner Community Organisation unfairly (like selling the power produced to themselves at a discount, for example).
- At the end of the project life, the project would be required to be decommissioned and the project company would likely be wound-up once this is done and all commitments have been met.

How much ownership, when and at what cost?

- Belltown intends to donate to the Partner Community Organisation 1% of the ownership of the project, with no obligation to fund anything. This would be able to happen any time after planning consent is granted.
- Belltown also intends to provide the Partnership Community Organisation with the option to acquire up to a further 4% of the ownership of the project on a preferential basis, once the project is constructed and operations have

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started. This option would have to be taken up within the first year of operations. The amount paid for this additional 4% ownership would just be 4% of the costs incurred in developing and constructing the project, which should be well below the true market value of the stake (this and the 1% donation should help the Partner Community Organisation secure funding to cover the stake).

- There would be no obligation to take the whole 4%; the Partner Community Organisation would be able to choose how much of it they wished to purchase and would just pay for the relevant proportion acquired.
- As an indication, the very rough cost of developing and constructing the projects is expected to be around £1.5m per MW (though it can be significantly more or less than this depending on the specific project). Therefore (subject to detailed valuation, discussion and negotiation), a 4% stake is likely to be offered to the Partner Community Organisation at circa £60k per MW. For a 25MW project this means circa £1.5m of investment opportunity, for a 100MW project circa £6m and for a 200MW project circa £12m.
- Neither the 1% nor 4% stakes would have any obligation to fund beyond this initial purchase price. Operational costs would be paid out of revenues.
- If the Partner Community Organisation wished to hold more than this 5% total stake (1% donation, 4% at cost), then Belltown would work with them to try to enable this, with further ownership being acquired at market value rather than at cost.

What happens if debt is used to fund the project company?

- If the construction of the project is part funded with debt before the Partner Community Organisation acquires its ownership share, then the amount the Partner Community Organisation would need to pay for its stake would be reduced. This is because the Partner Community Organisation only needs to pay back the costs incurred by the equity holders it is buying the equity shares from (i.e. Belltown or any subsequent owner).
- If debt is brought into the project company later on (i.e. after the Partner Community Organisation has already made its investment), then the Partner Community Organisation would receive its share of the proceeds passed back to shareholders from such a "refinancing".
- Debt would be paid back out of operational profits, hence reducing the return Belltown (or any subsequent owner) and the Partner Community Organisation received during the initial period of operations (usually for circa 15 years). The decision on whether to raise debt into the project company or refinance at any point would sit entirely with Belltown (or any subsequent owner).

How can the Partner Community Organisation fund its investment?

- Some communities may have existing cash reserves from previous community benefit schemes in the area.
- Some capital may be able to be raised from members of the community through a community share offer or crowd funding. However, the Partner Community Organisation would need to ensure it is working within the law and relevant FCA regulation if it wants to follow this path.
- Capital may also be available from specialist lenders, including the Development Bank of Wales (DBW). Belltown is working with DBW to try to help them create a funding product that can provide communities with most, if not all, of the capital they may need to take up the 4% stake, although this product is still at the early stages of development.

Are there alternative ownership structures available?

- The risk and return timing from a true equity shareholding may not align well with every community's aims, especially where debt is used to fund some of the project (in which case most cash in the first 10-15 years would primarily be used to pay this back rather than be distributed to shareholders).
- Belltown is open to discussing alternative structures with Partner Community Organisations for their project participation, including for example a revenue or profit royalty (where the Partner Community Organisation would receive a fixed proportion of the revenues or operational profits from the project and not be subject to debt repayment or financing structure). The overall expected return from such a structure would have to be less than for

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a true equity shareholding, but the community may decide this is an acceptable trade-off for the lower associated risk, greater predictability and earlier cashflows.

What is the process and timing for taking up the offer?

- Each community is different and Belltown will work flexibly to help every community take advantage of the opportunity.
- Pre-planning consent: The first step is to identify the communities likely to be involved and the representatives of those communities that will lead the process. This is usually begun through consultation in the year leading up to the planning submission for the project and can lead to an informal liaison group being formed. A binding Memorandum of Understanding may be signed (following discussion and negotiation) between Belltown and the Partner Community Organisation prior to planning submission, committing Belltown to offering the agreed community benefit and community ownership propositions should the project be successful at planning. However, this is not a requirement and this process can continue during the planning determination period, which usually lasts between 1-3 years.
- During construction: Once the project has received planning consent the work really starts. Over the 2-4 years of planning condition discharge, procurement and construction the Partner Community Organisation is set up, the detailed offer is made and, if acceptable, the contracts are negotiated. The donation of 1% can be completed as soon as the parties are ready.
- Once operational: The contracts governing the acquisition of the further stake can be completed as soon as the project is operational. This acquisition would need to be completed at the latest by 12 months after operations start.

What support and advice is available?

- Belltown is committed to enabling community ownership in its projects and will support the community as much as it can and be as flexible a partner as possible in order to achieve that. However, Belltown cannot act as an advisor in any way to the community, and so the community will need its own qualified financial and legal advice.
- The Welsh Government Energy Service and Community Energy Wales both provide independent support to communities to help them through this process, and Belltown may be able to “bring forward” some of the community benefit or community ownership returns in order to help pay for further advisor costs (to be repaid out of the resulting benefit or ownership payments once the project is operational).

Registered Office and Contact

Belltown Power UK Wind Ltd
Second Floor Hanover House,
47 Corn Street,
Bristol, United Kingdom, BS1 1HT

0117 303 5217

