

WIND ENERGY ON THE PUBLIC FOREST ESTATE

Purpose

To update the ENC on progress with implementing our wind energy strategy on the Public Forest Estate. There will be a short Powerpoint presentation to illustrate key points and spatial distribution of our projects and potential.

Background

1. The FC has been promoting the development of wind energy on its land for some years. Wind developments to date have largely been confined to Scotland where there is more wind energy potential, strong support from the devolved administration and less planning issues. A significant development of wind energy is progressing in Wales with the full support of the Welsh Assembly. Though less than either Scotland and Wales, England has considerable wind energy potential albeit with more planning issues.
2. The PFE has the potential to make an important contribution to the UK Government target of generating 15% of primary energy from renewable sources by 2020. It is estimated that the on-shore wind potential runs to several hundred megawatts (MW) with some modest potential for hydropower. The PFE in England has no installed wind power capacity; however up to 500 MW is the estimated full potential.
3. With the strong encouragement from DEFRA ministers some years ago, we commissioned a wind energy potential study on the FC estate. This revealed that considerable potential existed across England but that planning, military, grid connection or environmental issues constrained the opportunities considerably.
4. The opportunity to deliver renewables prompted the establishment of the FC Renewable Energy Business Unit. This has raised the level of technical expertise and helped move forward the implementation in Scotland and England.
5. For the last three years we have been pursuing a number of schemes in East Midlands, South West, and on a larger scale at Kielder. Our hope is that in the next two to three years we will be successful in getting schemes started. The scheme in Cornwall now has planning permission subject to settling some mitigation issues.
6. The FC is not itself developing sites and in all instances a utilities operator is taking the lead in preparing a proposal for planning after an open tender process to secure an option to develop on an FC site(s). We have to date undertaken the process on a site by site basis rather than an area wide programme as in Wales and Scotland.

7. To enable the FC to make faster progress on renewables targets we have teamed up with Partnership for Renewables (PfR). PfR is a partnership between the Carbon Trust Enterprises (established by the UK Government) and the HSBC Environmental Infrastructure Fund. The role of PfR is to develop and manage renewable energy projects on public sector land. PfR aims to increase capacity by 500 MW over the next 5-8 years. It already has agreements with British Waterways and the Environment Agency.
8. Separate Memoranda of Understanding between the Forestry Commission and PfR have been agreed in England and Scotland under which it will pay the costs and undertake the work to secure consents for wind farms on the PFE. As part of the due diligence process, we asked Fortis (a bank with expertise in renewables) to assess PfR's proposals. Fortis concluded that the PfR proposal was sound and in generally well ahead of the market norms for returns.

Implementation Progress

9. Preparations for securing planning consent on the non-PfR sites are progressing in four locations, Davidstow in Cornwall, Kielder, Swynnerton in Staffordshire and Blidworth in Nottinghamshire. The lead in times are anything from 3-6 years and are generally very slow with many interests and issues having to be settled before a development can be contemplated. A great deal of persistence and skill is needed to get a scheme agreed in almost any location.
10. PfR has now considered all 15 sites all of which were released to PfR for detailed review and named in the Exclusivity Agreement.
11. Its findings were presented to us during December. Following the Forest District meetings, nine sites were accepted, seven of which (Sotby, Blidworth, Temple, Twyford, Bishops, Halwill and Witherdon) received early approval by FCE to progress into 'Feasibility Studies', six sites were dropped and a number of substitutes have been proposed.
12. The substitute sites were assessed by PfR and reviewed at a meeting with us on 18th January. The outcome of the review was that two new sites (Thrunton and Circuit) were recommended for Feasibility Study status and one site was recommended for additional assessment work (Stapleford).
13. The substitute sites were drawn from the freehold estate only, although Thrunton is partially leased. The leasehold estate is also being rescreened.
14. With the agreement to proceed at Thrunton, Circuit and possibly Stapleford and the introduction of the rescreening of the entire PFE, the FCE development process now falls into three distinct phases:
 - Phase 1-7 sites currently in Feasibility. The detailed site visits for feasibility assessment will be completed on these sites by 12.02.10. Sites to enter development in April 2010 (following signature of Lease Options hopefully in April).

- Phase 2 – Lord Lot, Mortimer, Thrunton, Circuit, and possibly Stapleford. Sites would enter Feasibility in March 2010 and development in June/July 2010.
 - Phase 3 – 3/4 sites to be selected following review of PFE Freehold and Leasehold land. Sites to enter Feasibility in April 2010 and development in July/August 2010.
15. DECC and the Forestry Commission have been working closely together since the start of 2009 on a project focusing on north west England to examine the potential for renewables on the PFE and develop policy solutions to remove barriers and capitalise on that potential. It is our intention to use this as a demonstration project to provide practical solutions and best practice examples which might then be applied to the wider public estate.
 16. It is envisaged that the project will end in the summer of 2010 from the point of view of the barriers to renewable energy with a final report presented to Lord Hunt. There will be ongoing work to develop the schemes that have been identified and we are currently looking at ways of delivering this and potential funding streams.
 17. The FCE intranet site is now working. This hosts the key documents, including the monitoring spreadsheet to record site progress.
 18. We are also preparing the groundwork for a Phase 2 with PfR which may include an invitation to other potential development partners interested in taking forward new wind farm opportunities on other parts of the PFE.

Hydro-Power

19. Opportunities for hydro-power development on the PFE are much more limited, but some small-scale run-of-river projects may be possible to develop in the North of England.

Community Benefits

20. It is industry practice to offer local communities financial benefits from wind farms, either as direct payments (typically about £2,500/MW) and/or through opportunities for equity participation, by individuals or by community development bodies. Current arrangements include the use of local authorities or voluntary trusts as intermediaries for distributing “community benefit” payments to eligible projects in eligible communities.
21. We have a good opportunity here to use the development of the renewables potential of the PFE to promote the Government’s policies for community empowerment; we will work up advice on taking this forward.

Communications

22. The importance of a good communications strategy around any renewable energy development particularly wind is important for success. We are working closely with PfR and our other operators in all areas in order to help create a favourable environment for these developments.
23. We will aim to inform and educate key stakeholders about the benefits of renewable energy on the PFE. Our communications strategy will also stress the exemplar value of FC and Government contributing towards renewable energy targets on its own estate.
24. The importance of working with local communities on renewables even in the face of initial opposition cannot be emphasised enough and we are good at this. However windfarms are by their nature controversial and we will not be able to avoid opposition despite the benefits to a low carbon economy.
25. We have developed an iterative communications strategy for the programme, but are inclined to deploy it site by site as appropriate rather than making it a national campaign. It is not intended to be defensive about our programme but common-sense suggests we do not run a pro-active campaign about the benefits of wind energy.

Resource Implications

26. It was concluded at an early stage in planning wind energy development that in-house resources would not be adequate to realise the potential. The emergence of PfR has been very timely in giving us access to specialist support on the technical and commercial issues leaving us to deal with land management and legal matters. PfR draw their up-front costs from the commercial funding (HSBC) and the Carbon Trust and recover it from developed sites
27. We have reallocated Land Agent time to support PfR and existing FE staff also contribute through normal forest planning and management work.
28. We expect the first revenue streams to flow from the SW scheme in two years time and other schemes to come on stream subject to planning in 3-5 years. By around 2016 on current estimates and rates of return we could be receiving around £5m per annum developed sites in the current portfolio. Whether it is significantly more than that depends on whether the Kielder scheme is approved.

Risk Assessment

29. The risk profile for wind farms is complex. Top risks are:
 - Requires a lot of up-front input (cost and time) and a successful outcome is not guaranteed.
 - Wind energy is still controversial so we can expect opposition.

- There are innumerable friction factors including MOD, air traffic, bio-diversity, planning, commerciality etc, each requiring a well considered response at every stage.
- The revenue stream from renewables is an important component of our future financing strategy for the PFE .
- The FC's reputation for sustainable land management will be tested by whether we can secure approval and support for renewables on the PFE site by site.
- Other statutory bodies such as Natural England may take a different view to us on the appropriateness of our wind energy development in some locations.
- There is some uncertainty in DEFRA as to FC vires for wind energy development on the PFE in England. There will be a resolution of this issue but it may add some further steps in the approval process.
- Planning permission given for schemes might also require costly on or offsite mitigation.

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30. This is not believed to be an issue that has a particular significance for diversity issues.

Business Sustainability

30. The development of renewables on the PFE is key element of the FC becoming carbon neutral in all its operation as well as being a net energy exporter.

Recommendation

31. That the ENC consider and support our strategy for the continued development of wind energy on the Public Forest Estate.

Simon Hodgson
Chief Executive Forest Enterprise
March 2010