



ORKNEY COMMUNITY WIND FARM: A PUBLIC ENERGY CASE STUDY

The Orkney Community Windfarm provides a brilliant case study of how councils can generate revenue for their budgets while tackling the climate emergency. This is particularly important given the huge pressure that councils are currently under, with cuts to council budgets likely in the short and medium term.



WHAT IS THE ORKNEY COMMUNITY WIND FARM?

Orkney Community Wind Farm is a public energy development led by Orkney Islands Council. The project consists of three onshore wind farms across different islands in Orkney – Quanterness, Hoy and Farray.

The project was first devised in 2014, and formally agreed in 2016.¹ Since then, the project has gone through different stages including site investigations, public consultations, and receiving planning permission from the Scottish Government. Construction is scheduled to begin in 2027, with the wind farms up and running from 2028–29.

Once operational, each wind farm will consist of six turbines 149.9 metres tall. All three developments together will produce nearly 90MW per year. The wind farms will be sited on a mixture of private land, and public land owned by the council.

The project is being led by a small in-house team within Orkney Islands Council, not a private developer. This means profits will go to the council and stay on the islands. Predicted annual profits are around £5.5 million.²

BENEFITS

- ▶ **Increased revenue for the council.** The project will make around £5.5 million per year, to go to public services that benefit communities in Orkney. Across the 25 year lifespan of the wind farms, this is nearly £138 million.³
- ▶ **A sustainable, long-term revenue stream for the council.** Money will be generated for around 20–25 years, the average lifespan of a wind farm. Council budgets are likely to be severely and increasingly restricted in the next few years.
- ▶ **Community benefit fund.** Communities across the Orkney Islands will benefit from the developer fund, which will be given by the Council to Community Councils and other local initiatives. Host communities will benefit slightly more, but the money will be distributed across the islands so that every community sees some benefit.
- ▶ **Community wealth building.** All the wind farm profit will stay in Orkney and Scotland, and not be extracted out of the local economy to private shareholders.
- ▶ **Economic benefit from the new interconnector.** Modelling suggests the new electricity cable will bring in between £371 to £807 million of economic benefit for Orkney, including allowing the marine and tidal energy industries to grow.
- ▶ **Stability and confidence for the renewables industry,** including the European Marine Energy Centre (EMEC).

WHY IS ORKNEY ISLANDS COUNCIL PURSUING PUBLIC ENERGY?

The primary motivation for pursuing a publicly-owned wind farm development is revenue generation. This will come from the wind development, as well as from the new electricity interconnector.

Revenue would be generated from the wind development being developed by Orkney Islands Council itself. Economic modelling from 2021 forecasted that Council projects could provide close to four times more benefit to the economy compared to privately-owned developments.⁴ Because they would be publicly-owned, the income would remain in the Orkney Islands, to be used for vital council services across the islands.

Current estimates suggest that the wind farm developments will make around £5.5 million annually in profit, with around £432,000 to be distributed in a community benefit fund.⁵

Second and relatedly, the wind farm development has helped to create the business case for a new interconnector, raising further revenue. There has been a long-standing and historic need for a new

electricity interconnector cable linking the mainland to the Orkney Islands, because the current cable had been at capacity for some time, and isn't big enough to transmit all the current and potential future renewable electricity being generated on the islands. This means a big loss in potential revenue. In order to secure the new interconnector, a 'Needs Case' had to be established with the energy regulator; a pipeline of renewable energy projects needed to be confirmed, to convince Ofgem that the new interconnector was needed and viable. Orkney Islands Council therefore decided to develop around 90MW of wind farm energy, helping to provide the Needs Case and establish the interconnector's viability. The interconnector was given the go-ahead in June 2023.⁶

Economic modelling on the new interconnector cable suggested that it would provide at least £371 million of economic benefit to the Orkney economy. This would rise to up to £807 million if the wave and tidal energy industry also makes use of the cable. It would also create between £606 million and £1.48 billion of economic benefit to Scotland overall.⁷

1 Orkney Islands Council, Policy and Resources Committee Meeting Minutes, 21 June 2016, https://www.orkney.gov.uk/Files/Committees-and-Agendas/Policy-and-Resources/2016/21-06-2016/Minutes_PR16JUN21.pdf
2 Orkney Community Wind Farms website: <https://orkneywindfarms.co.uk/community-benefits>
3 Orkney Islands Council, Ofgem approves transmission link for Orkney, 14 July 2023, <https://www.orkney.gov.uk/News?postid=7838>

4 Orkney Islands Council, 'A transmission link for Orkney: An impact analysis on the Orkney economy,' 25 May 2021: https://www.orkney.gov.uk/Files/Strategic_Projects/Orkney_%20Transmission_Link_Report_May_2021.pdf
5 Orkney Community Wind Farms website: <https://orkneywindfarms.co.uk/community-benefits>
6 Orkney Islands Council, Ofgem approves transmission link to Orkney, 14 July 2023, <https://www.orkney.gov.uk/News?postid=7838>
7 Orkney Islands Council, 'A transmission link for Orkney: An impact analysis on the Orkney economy,' 25 May 2021: https://www.orkney.gov.uk/Files/Strategic_Projects/Orkney_%20Transmission_Link_Report_May_2021.pdf

WHAT DOES THE PROJECT COST?

Since the formal decision by Orkney Islands Council to take on a developer role of the wind farms in 2016, a total of £2.5 million has been spent on developing the project,⁸ including:

- ▶ **£575,000** on an Orkney wide investigation and evaluation of potential sites.
- ▶ **£1.3 million** on progressing the projects through the Environmental Impact Assessment and planning consent processes.
- ▶ **£60,000** on additional requirements for progressing the wind farms and meeting Ofgem's Needs Case.
- ▶ **£540,000** on staff costs, with three local jobs currently in place.

Projected costs for the procurement of the turbines and construction for all three sites is forecast to be around £110 million.

The money comes wholly from Orkney Islands Council's Strategic Reserves Fund. Its historic purpose is to support projects that benefit Orkney communities, including recreation projects, harbour infrastructure, and economic development.⁹

NEXT STEPS FOR OTHER COUNCILS

- ▶ Councils interested in pursuing renewable energy development can learn from Orkney, and their new in-house team of renewable development experts.
- ▶ Bodies such as COSLA and Highlands and Islands Enterprise could play a key role supporting councils to raise capital, for example through the UK Infrastructure Bank, the Scottish National Investment Bank, or by pursuing municipal bonds.
- ▶ Wind farms could be developed in partnership with local communities, through shared ownership models, or on community owned land.

⁸ Orkney Islands Council, Ofgem approves transmission link for Orkney, 14 July 2023, <https://www.orkney.gov.uk/News?postid=7838>

⁹ Orkney Islands Council, Councillors approve £8.25m towards Covid recovery projects – and allocate Strategic Reserve Funds, 23 December 2021, <https://www.orkney.gov.uk/News?postid=4952>



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