



A Fair Energy Deal for Scottish Communities

Call to Action

Executive Summary

February 2024



Scottish Communities Finance Ltd
Reinvesting In Your Community



**scottish
community
alliance**

local people leading

1. Aims

The drive to net zero by 2045 and expansion of renewable energy in Scotland provides a huge opportunity to secure meaningful community benefits, support community-owned renewables and ensure that wealth being generated from Scotland's natural resources is shared fairly across Scotland. Community understanding and participation in the energy sector is also essential to ensuring local buy-in and appreciation of the need for the large-scale transformation of the UK electricity network required to ensure our collective low carbon future.

We need strong government leadership and holistic thinking to support and expand existing community renewables whilst making sure that renewable development by corporate developers and electricity network operators builds community wealth within Scotland and delivers for the whole country. This Call to Action proposes how we do that.

Community energy groups are already delivering across the Scottish Government's national priorities. Through local action they add value for money in areas including affordable housing, fuel poverty, economic development, and health and wellbeing, often in locations that are hardest and most expensive for local and national government to deliver in. If enabled, the community sector already has the solutions that can ensure any investment will in turn strengthen people, place and wider climate change commitments.

Current ambition for new and repowered onshore wind generation, offshore wind, and associated requirements for widespread electricity network upgrades and investment in transmission infrastructure together present **unprecedented challenges and opportunities. Government and industry have the opportunity to think strategically about socialising benefit and leveraging investment to create sustainable and thriving communities.** Ultimately, without community buy-in and support, a timely transition to net zero cannot be guaranteed.

2. Our Seven Calls to Action

We call on the Scottish Government to take forward these seven actions:

1. **Accelerating growth in the community energy sector:** the Scottish Government must acknowledge and encourage the distinct and significantly greater local impacts and benefits of community owned energy. A working group should be established to create a roadmap of support to accelerate progress in the sector. This should include a review of government ambition and how this ambition is delivered
2. **Setting a wholly owned community energy target – 1GW by 2030:** the Scottish Government should review the Community and Locally Owned Energy target and what is included in this within the redrafted Energy Strategy and Just Transition Plan. **Setting a wholly owned community energy target of 1GW by 2030** will demonstrate a clear ambition, provide certainty for local investors and should be reinforced with an extended target for 2045. A specific target for credible community shared ownership should also be created.
3. **Addressing opportunities and challenges arising from repowering:** mass repowering of existing onshore wind generation will be a significant challenge in Scotland over the next 10 to 20 years, but also creates opportunities for communities. **We call, therefore, for a short-life working group to be created with representation from Scottish Government, local authorities, private developers and**

community representatives to undertake a comprehensive review of the repowering process and ensure that these challenges and opportunities are identified and acted on.

4. **Increasing uptake of shared ownership opportunities:** the Scottish Government should review how shared ownership opportunities can be made more attractive and accessible to communities, including **mandating the private sector to engage with communities at the earliest stage of any development, and introducing support programmes to enable communities to engage in shared ownership opportunities.** The new shared ownership support framework proposed in the Onshore Wind Deal must be produced in consultation with the community sector.
5. **Mandating developers to report on community benefits** should be implemented by the Scottish Government to allow effective monitoring of good practice, social return on investment monitoring and public transparency of these arrangements. **This should include an obligation for private developers to regularly update the Community Benefits Register.**
6. **Updating Good Practice Principles for Community Benefits:** the Scottish Government must work urgently to review its onshore good practice guidance as well as to link this with the emerging offshore funds and Transmission Network Operator Community Benefit funds to ensure that community benefits payments are unrestricted and remain fair and proportionate. **Community benefits should be indexed to the consumer price index to be in line with Contract for Difference strike prices.** Where existing community benefit arrangements are in place, it is important these continue and are renewed when ownership changes or sites repower.
7. **Creation of a Scottish community wealth fund:** the Scottish Government and private sector partners should use a proportion of **community benefits from onshore, offshore and transmission developments to create a Scottish community wealth fund to support the delivery of a just transition to Net Zero for all communities across Scotland, not just those located nearest to developments.** Capacity building support for communities to access these and other funds should be included to support communities' growth and agency in the energy system.

3. Context

Two decades of successful delivery of community energy activity now provides a wealth of experience to draw on for the next generation. But despite the fact that the community energy sector in Scotland was in the past unrivalled, progress has slowed and is now even at risk of significant decline. Mature generation projects are starting to reach the end of their expected lives without clear paths to continue; **25% of Scottish community energy groups do not even have capacity to apply for funding support; and in 2021 for the first time in several years, no new community organisations reported involvement with a renewable electricity generation project.**

When set against the current context of significant upscaling of generation and reshaping and development of our wider energy system, this highlights a **pressing need and key opportunity to address barriers to community groups implementing new projects**, and to remedy aspects that have not delivered as was hoped, especially in relation to shared ownership of large generation assets and implementation of larger scale community benefit initiatives.

If we address these issues, there is significant potential: with increased interest in solar farms, a projected doubling of onshore wind, nearly 30 gigawatts planned for offshore wind energy, and the scale of investment required to upgrade the transmission infrastructure, **there are multiple opportunities both to**

underwrite public service reform outcomes and deliver, at scale, a new generation of community wealth building opportunities.

Against this backdrop of challenges and opportunities a coalition of community sector organisations – Community Energy Scotland, Community Land Scotland, Development Trusts Association Scotland, Scottish Communities Finance and Scottish Community Alliance - have come together to issue seven calls for action on behalf of communities across Scotland. Above is a summary of our calls to action to government, industry and sub-contractors, and communities – together, we can create a Fair Energy Deal for Scottish Communities.

4. Levels of Community Involvement

The extent to which communities can engage with the energy sector and make the most of current opportunities can be categorised as follows:

- 1. Renewable (or other energy) asset that is 100% owned by a qualifying community organisation** and generates significant revenue for the owner – the “Scottish community owned revenue generation” model. The qualifying organisation in this model tends to be a member-based social enterprise, for example Charitable Development Trusts with a wholly owned trading subsidiary. This model is tried and tested across Scotland, successfully delivering revenue to communities for two decades.
- 2. Credible shared ownership**, where meaningful ownership of a revenue generating asset allows proportionate opportunity and responsibility for financing and operation by a community organisation, and full control of their proportion of revenue generated. To date, there are few, if any, examples of this working well between community groups and the private sector.
- 3. Good practice community benefit arrangements** whereby the majority or all of a revenue generating or distribution asset and its revenue is owned, controlled and operated by a third party, which then provides benefits that are: regular and reliable over a sustained period (normally the lifetime of the project); proportionate and fair when considering the size and nature of the project; and with unrestricted control over the spending decided on by the community (as long as it benefits the community).
- 4. Ad hoc community benefit**, where there are no formal agreements in place, but a developer or community have recognised or can measure some benefit to a community from a third-party revenue generating asset. Examples of this type of support include funds created by developers to bid into, ad hoc sponsorship of community initiatives, or irregular funding initiated at the request of the community. This does not represent good practice. Where ad hoc funds are the only option, consideration should be given to using these funds as initial funding for projects that have longer term impacts.

5. Contact details

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