Community benefits from net zero energy developments

Offshore Questions

Question 1: In the context of offshore wind development, what or who or where do you consider the relevant communities to be?

In response to these questions Community Land Scotland is responding as a coalition member of the Scottish Community Coalition on Energy (SCCE). As part of our coalition, we have run events on this consultation to speak to our members and other organisations and individuals within the community sector – our response reflects those discussions.

The points below should apply to all offshore renewables, as appropriate, not just offshore wind.

We consider relevant communities to be:

- Geographically-defined communities (communities of place), including residents and those who work in the area – this could be communities visually impacted by developments offshore or by infrastructure on the coast
- Communities of interest (e.g. fishing, other sectors that use the marine and coastal space, environmental groups, leisure activity groups [e.g. wild swimmers, rowers, walkers]) **could form part of the consultation process but not benefit arrangements**
- The geographically defined communities will include those who live to sites of offshore wind infrastructure or activity, e.g. the cable landfall site (up to the connection link where the generator connects to transmission infrastructure), grid connection site, port, and other operations in addition to the offshore wind farm site.
- We gathered input on this consultation from community organisations. The points raised most often in response to this question were:
    - Those visually impacted by the offshore turbines or other development
    - Those who live near where cable connections to onshore are made
    - Those affected by the construction and shipping (including those whose infrastructure is being used, e.g. roads, housing)
- Others suggested learning from Ireland, where the ORESS 1 Community Funds Rulebook specifies that the local community must include, but not be limited to, “the local stakeholders and the surrounding communities that were consulted on as part of the Maritime Area Consent (MAC) process.”
- Those impacted by the construction, including those who suffer loss of earnings, should be paid compensatory or disturbance payments separately from the community benefit payments.
- In addition to the locally impacted communities, we consider that all Scottish communities have a stake in our offshore renewables, which are national resources. We believe that a portion of the benefits should be shared across Scotland through a Scottish Community Wealth Fund. (See our answer to question 7.)

Question 2: When defining the relevant communities to receive benefits from offshore wind development, which factors should be considered, and by whom? Are there any factors which are most important, and why?

The points below should apply to all offshore renewables, as appropriate, not just offshore wind.

As noted in the draft Good Practice Principles for Offshore Renewables, there should not be a standardised approach to identification of the relevant communities. Instead, the developer should proactively reach out to community organisations, work with them to identify all appropriate organisations and individuals to speak to and make a concerted effort to meaningfully engage with them on defining the relevant communities.

Organisations that developers should speak to in the first instance include community anchor organisations, development trusts, other incorporated community development bodies (e.g. SCIOs, CICs), community councils, along with the relevant enterprise agency and local authorities. Communities that host ports that are servicing the offshore wind sector could be a good place to start.

Resource – in terms of paid development officers and paid involvement in consultation - should be directed towards more deprived communities who have less capacity to do unpaid volunteer work, and minority groups who may need to engage in different ways, in order to enable them to fully take part in the definition of the relevant communities and do not lose out long term in receiving their fair share of community benefits because their voice was not heard or was not as loud as others.

There should be a consideration of equity and opportunity within off-shore development, relating to the location of the development and its size. For example for a large development should the benefit provided by proportionate to the size of the development, i.e. the bigger the project the bigger the area that should benefit?

Similarly if the development is very far offshore, and not visible, which communities should benefit? Arguably beyond just the coastline which may not actually be visually impacted. This is where arguments for a national fund, which we detail in Question 7 gains further strength.

Question 3: Who should decide how offshore wind community benefits are used (decision-makers)? Are there any groups, organisations or bodies you feel should have a formal role in this?

The points below should apply to all offshore renewables, as appropriate, not just offshore wind.

The communities that have been identified as the relevant communities for the Community Benefit Package should have full control over how the funds are used.

Good practice community benefit arrangements give communities high levels of ownership and control over the funds. It is crucial to involve communities in the decision making process when designing the scheme and when funds are allocated, to align with the Just Transition Principles and ensure that the fund will meet the actual needs of the local community, which studies show is crucial for increasing community acceptance of the development.

In each case, existing community organisations, local Council for Voluntary Organisations, the community council(s) and the local authority if necessary should identify the appropriate community organisation or consortium of organisations (e.g. the 9CC Group in Ayrshire) to make decisions on how the funds are spent. The community organisations could be development trusts or other community anchor organisations.

Where the funding covers a large area where it is not possible for all relevant community organisations to be represented, a local/regional panel could be created to make decisions about spending. Best practice would see representatives democratically elected from the community for this purpose.

As above, we believe that a portion of community benefits from offshore should go into a national fund. This would require a different approach. Our members suggested that a national fund or central pot of offshore renewables contributions could be managed by a community umbrella body with a nation-wide remit, and that the objective of that fund should be to tackle inequalities and ensure a just transition for the whole country. Decision-making on how this fund should be spent would be made by an independent Board, including community representation, which would set strategic priorities every 5 years for the Fund.

Question 4: What are the best ways to ensure that decision-makers truly reflect and take into account the needs and wishes of communities when determining how community benefits are used?

We disagree with the framing of this question, which presents the 'decision-makers' and the 'communities' as separate groups.

The communities that have been identified as the relevant communities for the Community Benefit Package should have full control over how the funds are used.

The community organisation, organisations or consortium that is identified to make decisions about how the funds are used should be constituted community bodies such as SCIOs, Community Benefit Societies or Companies Limited by Guarantee, and should be democratically representative of the relevant community or communities. That can be measured by whether they possess these characteristics:

- Open and accessible wide community membership across the entire relevant area
- Democratic and transparent Board elections led by the members
- Best practice community engagement and communication with all stakeholders in the community
- Profit used for wide community benefit and not individual gain

In some cases it may be most appropriate for the community to establish a new community organisation which would provide governance of the fund and make decisions on spending.

This model of community benefit is termed 'direct investment' by the UK Government's Transmission Infrastructure Guidance. This should be presented as best practice, in contrast to developers making community benefits available through grant schemes which they control.

Good practice examples:

- Isle of Gigha Community Fund (from onshore wind) is managed by the Isle of Gigha Heritage Trust. Their board of directors is elected by the membership. The Fund supports projects or activities that will deliver against the objectives of the Trust.
- 9CC (Community Councils in East Ayrshire) manages and distributes community benefit allocations across 9 Council areas. The team is made up of community councillors and two paid staff.

Other mechanisms that would help ensure that the funds are used in ways that meet the needs and wishes of the community include a periodic review of funding decisions by selected members of the community, an auditing role for the Government (as in Ireland), and mandatory reporting on the use of funds to the Community Benefits Register managed by Local Energy Scotland.

Spending decisions should take into account priorities identified in local community plans and place plans created by the relevant communities, to ensure that all projects meet local needs and wants. Where no such plans exist, extensive community consultation should take place to prioritise spending.

The community groups should have regular, reliable income to invest locally and should not have to apply for one off time limited grants to access the community benefits.

If a regional or national fund is set up for a percentage of the funds, then again it should be evidenced that any spending meets local needs and priorities in the area that the spending will take place.

Question 5: What could be done to help maximise the impact of community benefits from offshore wind? What does good look like?

The points below should apply to all offshore renewables, as appropriate, not just offshore wind.

The best way to maximise the impact of community benefits would be for the UK Government to make them mandatory for developers to provide. We appreciate that the Scottish Government has been urging the UK Government to require community benefit payments, and we encourage you to continue to do so.

Maximising the impact of community benefits requires consideration at several points: when agreeing and designing the community benefits package, when setting up the governance structure, and when setting fund objectives or spending criteria.

Many communities are under-resourced in terms of time, specialist knowledge and funds, and there is a significant power imbalance between them and renewables developers. The Just Transition Commission has identified a need for communities to “have the ability to take key decisions and the capacity to effectively safeguard the retention of long term social and economic value”.

In order to help communities secure community benefits to at least the good practice level and ensure that these benefits are shared equitably across communities, the Scottish Government should create or fund Community Benefits Champion posts that have specialist knowledge (of the renewables industry, facilitation and community development) and would:

- Directly engage in negotiations with developers, to maximise community benefits from energy projects in development.
- Reach out to communities that are impacted or associated with each development, and support them to work together to achieve the best possible outcome.
- Be complemented by appropriate resource to upskill and support local communities to directly engage in and be active participants in the discussions in the future, as well as to support with governance of community benefits received and support with development of projects that address local needs.

Other measures that would help communities maximise their community benefits package when *agreeing* the package include: setting out a clear process for agreeing community benefits with a sufficient timeframe so communities are not too rushed; funding for communities to participate in the process (targeted at locations with the least community resource); guidance for developers on who to approach (e.g. not only the Council and/or the Community Council) and how to proactively approach communities, including through intermediaries where appropriate; good practice case studies of developers approaching communities early in the process; and guidance for developers on tried and tested community engagement models (not just consultation).

Other measures that would help communities maximise *the impact* of their community benefits include: a more consistent community benefits advice and support service, including links to training for community organisations on effective governance and managing conflicting views; and mechanisms for community members to question and recall decision-makers on community benefit fund boards, where decisions have not been in line with community plans.

Community organisations should be supported to set objectives for their community benefit funds that align with local community plans (e.g. Local Place Plans, Community Action Plans, Area Plans), or to draw up such a plan if none currently exists, following a meaningful community engagement process to determine priority community needs and wants.

Communities should address their own priorities according to their own local plans. They should be encouraged to consider whether investing community benefits in revenue-generating assets (e.g. land, buildings, community businesses or community-owned energy) could address local needs while at the same time providing a long-term revenue stream for the community, which can continue once the community benefit funds have stopped.

Making legal and financial expertise available to communities at a reduced fee would help ensure that they maximise the impact from such investments.

Community groups already spend a high proportion of their revenue in the local economy, but this could be ensured by the community setting out in their fund objectives a clear preference for using local contractors, consultants and designers, wherever possible.

Developers can help maximise the impact of their community benefit payments by:

- additionally funding community capacity building, as set out in the UK Government's guidance on Community Funds for Transmission Infrastructure.
- offering and supporting communities to take up offer of community shared ownership, in addition to offering community benefits. The return on investment to community organisations from shares in the development would complement the community benefit payments and enable the community to use their funds in a more strategic way. (See answer to question 11.)

Developers can also help maximise impact by offering and supporting communities to take up offer of community shared ownership. The return on investment to community organisations from shares in the development would complement the community benefit payments and enable the community to use their funds in a more strategic way. (See answer to question 11.) A good recent example of community shared ownership is Muirhall's Crossdykes windfarm, where the community took up a 5% share offer, in addition to a £7,000/MW/year community benefits package. The community used the community benefits payments to help service the loan they used to buy the shares. The funding also enabled employing a staff member at the community-owned Tarras Nature

Valley Reserve, upgrading the community-owned Eskdalemuir Community Hub, and funding the Annandale Community Transport Services for three years, amongst many other projects.

Finally, establishing a Scottish Community Wealth Fund that would ringfence revenue for community wealth building across the country would help maximise the impact of local community benefit funds. This is because it would provide additional funds for community capacity building where it is most needed (contributing to a just transition), and additional finance for communities looking to invest in revenue-generating assets. This would be particularly helpful where the local community benefit payments are not sufficient to enable the community to invest in the assets required to meet the aims of their community plan. (See answer to Question 7 for more about this nationally-coordinated fund.)

Question 6: How do you think directing community benefits towards larger scale, longer term, or more complex projects would affect the potential impact of community benefits from offshore wind?

The points below should apply to all offshore renewables, as appropriate, not just offshore wind.

We would stress that community benefits should not be 'directed' towards any types of projects by anyone other than the local community.

Consultation exercises amongst SCCE members raised several points in response to this question. The key themes are:

- There is a need for balancing short-term wins and long-term projects.
- Investing in projects that generate long-term revenue could help to provide a more secure, self-sustaining income stream to local communities, reducing dependency on short-term funding and grants.

On this last point we have developed the idea of a Scottish Community Wealth Fund that would be directed specifically projects that still address local priorities but should be used for long term income generating assets.

Question 7: The development of offshore wind is often geographically dispersed with multiple communities who could potentially benefit. To what extent do you agree or disagree that a regional and/or national approach to delivering community benefits would be an appropriate way to address geographical dispersal of development and multiple communities? Please explain your answer.

The points below should apply to all offshore renewables, as appropriate, not just offshore wind.

We agree that a nationally-coordinated approach to supporting community wealth building through a just energy transition is needed. We envision this as a national fund for local community wealth building projects, not for regional or national projects, which should be funded separately. A nationally coordinated fund would enable more equitable distribution of funds to communities across Scotland – including those communities who have suffered from the lack of a Just Transition in the deindustrialisation of many parts of Scotland over the past 40 years. It must be separate and additional to local (and potentially regional) community benefit arrangements.

The Scottish Community Coalition on Energy proposes that the Scottish Government assist in the formation of a Scottish Community Wealth Fund. The Fund would not be managed by the Scottish Government. It would be delivered via contract by an appropriate independent organisation with relevant experience in community development and fund management (of which there are several in Scotland). However, we do require the Scottish Government to publicly support the Fund and encourage developers to pay additional wealth payments into the Fund. The Fund will be overseen by an independent board should be led by community representatives, and include representatives from COSLA and developers, fund management expertise and financial experts. The Scottish Government and Parliament could contribute to the setting of the Fund's objectives, but individual decision making would be delegated to the Fund Board.

We encourage the Scottish Government to commit to exploring the creation of a Scottish Community Wealth Fund in the Good Practice Principles. The Good Practice Principles should recommend that offshore wind developments (floating or fixed bottom) contribute 4% of their project revenue to the Scottish Community Wealth Fund, in addition to at least 1% provided to the relevant local community or communities through community benefit payments. Similar benchmarks should also be set for other offshore technologies'

The higher contributions to the nationally-coordinated fund recognise that the connection between offshore developments and local communities is less close and less well-defined than that between onshore developments and communities. It also recognises the substantial potential to deliver a just transition for communities across Scotland, using a share of the wealth that the growth of the offshore wind industry will create.

The Scottish Government should work with the UK Government to encourage developers and Transmission Owners to pay at least a proportion of transmission community benefit funds for Scotland into the Scottish Community Wealth Fund. As these costs are paid for by all electricity consumers across the country, it is particularly important that these are shared equitably.

Every community should be able to access finance for wealth-creating projects like local shops and cafes, affordable housing or their own renewable energy generators. This opportunity should not be limited only to communities situated near to renewables developments. We are all funding the energy transition through our energy bills, and we all deserve a share of the financial wealth that is being consolidated through this process.

Regarding *local* community benefits, the Scottish Community Wealth Fund would act as a backstop when developers have not engaged with the local community and/or a local fund has not yet been established (perhaps because the community does not yet have capacity to manage it). The Scottish Community Wealth Fund would prioritise such communities for fund allocation through its local strand. However, in most cases local community benefits should continue as a direct agreement between the developer and the local community/communities.

Our community engagement for this consultation found that there is roughly equal support for a national fund as for regional funds. Community organisations and members recognise that regional funds could pool local community benefit funds and invest in bigger items such as housing or infrastructure. However, our members felt strongly that regional funds should not fund existing statutory activities, e.g. Council core services (and the local authorities should not be decisionmakers for how community benefits are spent). Those need to be properly funded, but this should be done through making the tax system fairer, rather than using funds which could go directly to local communities.

If regional funds are set up, there needs to be extensive consideration and consultation on the appropriate scale and boundaries of the regional funds, rather than a piecemeal approach where different regions or local authorities create their own funds. This risks certain areas of the country not being covered by any regional fund. It should be noted that drawing of the boundaries between these regions is likely to be contentious. Throughout our consultations it has been clear that even where stakeholders seem on the surface to agree that regional funds are a good approach, often their understanding of what those regions are vary significantly.

If the overarching purpose of creating regional or national funds is to socialise some of the community benefits from renewable energy then such funds must be set up in a just and fair way and are accessible to communities all across Scotland. Due to Scotland's geography, it is likely that certain areas will non or very few large-scale renewable projects and therefore access to little to no community funds. We therefore believe that the most just approach is to create a national fund.

Question 8: Are you aware of any likely positive or negative impacts of the Good Practice Principles on any protected characteristics or on any other specific groups in Scotland, particularly: businesses; rural and island communities; or people on low incomes or living in deprived areas. The Scottish Government is required to consider the impacts of proposed policies and strategic decisions in relation to equalities and particular societal groups and sectors. Please explain your answer and provide supporting evidence if available.

If the Good Practice Principles help communities and developers to negotiate improved community benefit packages that are more fair and proportionate for communities, then they will have a positive impact on relevant rural and island communities, people on low incomes and people in deprived areas (particularly those experiencing rural and regional disadvantage, as outlined in the HIE 2022 report).

They will also have a positive impact on local and community businesses, who benefit from community groups reinvesting their funds locally. (An average of 70% of community energy groups' expenditure is spent locally.)

If the Good Practice Principles include a recommendation that developers make contributions to a Scottish Community Wealth Fund, and if this is followed, then the principles will have a positive impact on all of the above, but particularly those living in deprived areas, including those in high SIMD areas that are not currently receiving community benefits. (Studies show that poverty is highest in large urban areas, although rural, remote and island areas also face different measures of disadvantage.)

If the Good Practice Principles set a higher benchmark level for community benefit payments, then this could have a small negative financial impact on developers, which could lead to lower profits and shareholder dividends. However, this should be counterbalanced by increased social licence for their developments, good local and national reputation for their business, and potentially reduced time in planning and development, including fewer objections and appeals (as found in a study of Dutch windfarms with differing levels of shared ownership: https://www.sciencedirect.com/science/article/pii/S2214629624004821). Strong, clear guidance would benefit developers by helping create a more level playing field and not interfering with competition.

Question 9: In your view, what would just and proportionate community benefits from offshore wind developments look like in practice?

It is really important that a benchmark is set for the offshore renewables sector. This should cover all offshore renewable technologies though the benchmarks may be different for each technology. The impact of setting a good practice benchmark has had a significant impact in the levels of community benefit offered in the onshore sector and there is now an urgent need to create clarity around good practice from offshore.

For both floating and fixed bottom offshore wind, we recommend that 1% of gross project revenue be paid to the identified community or communities.

There should be a guaranteed floor (minimum payment level) of £2,500 per megawatt per year. If 1% of gross revenue for the development is less than the floor, then the £2,500/MW/year should still be paid. This floor (and the benchmark) should be index-linked so that it rises in line with inflation.

In addition, we recommend that 4% of gross project revenue be directed into the Scottish Community Wealth Fund, once established, as outlined in our answer to question 7.

Taken together, this means that offshore wind developers would make 5% of each of their Scottish projects' revenue available to Scottish communities. This aligns with calls from the Scottish Liberal Democrats, who are calling for 5% of revenue from all new onshore and offshore renewables would be paid to community benefit funds.

Once other onshore renewable technologies become more commercially viable, the appropriate percentage of project revenue should be set which should be provided to local community benefit funds and to the Scottish Community Wealth Fund.

The minimum payment benchmark should also be index linked every year and this should be published by the Scottish Government. The previous recommendation of £5000/MW for onshore wind energy remained static for 15 years, during which time it will have devalued significantly due to inflation and energy price increases. The national benchmark, as well as benchmarks for every project, should increase every year in line with inflation.

Question 10: What processes and guidance would assist communities and offshore wind developers in agreeing appropriate community benefits packages?

In order to help communities secure community benefits to at least the good practice level and ensure that these benefits are shared equitably across communities, the Scottish Government should create or fund Community Benefits Champion posts that have specialist knowledge (of the renewables industry, facilitation and community development). See answer to question 5 above.

We are aware that developers would also welcome guidance on what 'maximising' community benefits means, given the use of this term in this consultation and in NPF4 Policy 11 on Energy (maximising benefits). In our view, maximising community benefits means:

- Setting a fair and proportionate good practice benchmark level for all offshore technologies
- Establishing democratic and community-led governance structures for the funds, and giving communities full control over spending decisions.
- Treating community benefit payments as separate and additional to wider community benefits including local procurement, local jobs, housing, transport and infrastructure.
- Establishing a Scottish Community Wealth Fund which would make finance available to communities across Scotland, complementing local community benefit packages.

Question 11: What do you see as the potential of shared ownership opportunities for communities from offshore wind developments? Please explain your answer.

The points below should apply to all offshore **and onshore** renewables, as appropriate.

The Good Practice Principles should state that shared ownership offers up to 20% is expected as good practice, in as strong terms as possible.

Shared ownership provides the strongest benefits for communities, after 100% community-owned renewables.

There is considerable potential for communities in Scotland to share both risk and reward by investing in renewables developments, which could also help developers access sufficient finance for projects.

The benefits include improved capacity, skills and governance within community organisations, long-term revenue streams, a more democratic energy system with increased community control, and retaining more of the profits in Scotland and in local economies.

For communities, it allows them to take a long-term, strategic approach to community wealth building. They can use the profit generated by their shares to invest in new renewables developments, either by buying shares in a private development or by developing their own.

For developers, the benefits include an enhanced reputation, locally and nationally, and can include reduced time in planning and fewer legal objections and appeals as developers get increased social license to operate (see answer to Question 8 in the offshore wind section).

Best practice involves a community organisation buying shares, after raising the funds through a community shares offer or accessing private finance. That community organisation would receive dividends and invest the returns in projects that benefit the whole community.

This contrasts with an 'investor club' model where local individuals buy shares, which only benefits those local individuals who can afford to invest. This should not be considered a legitimate community shared ownership offer.

Shared ownership of offshore wind wouldn't need to be limited to communities geographically located nearest to the offshore developments, but they could be given priority in the form of earlier share offers

The developer should engage early and meaningfully with the local community about shared ownership in the first instance.

In Scotland we have a strong track record of successful community organising to raise finance for renewables. Community groups have successfully developed their own wind installations, some of which cost over £10m. Over £10m has been raised by communities through community share offers alone, for community-owned renewables projects. We believe it would be possible for communities to raise finance to buy a stake in larger-scale offshore renewables as well; however new financial products may need to be created, as outlined in the answer to question 12.

The Good Practice Principles should make clear that the developer should still provide community benefits on the privately owned part of the development, even when the community takes up a shared ownership offer. RWE is showing good practice in Wales, where they are working with Community Energy Wales and offering up to 15% shared ownership in addition to a community benefit fund: https://uk.rwe.com/project-proposals/alwen-forest/.

Question 12: Thinking about the potential barriers to shared ownership of offshore wind projects, what support could be offered to communities and developers to create opportunities and potential models, and for communities to take up those opportunities? Potential barriers include high costs of offshore wind development, community access to finance and community capacity.

Support to help communities overcome potential barriers should include:

- Development of a publicly available, up-to-date map or portal to flag planning applications for renewable developments, including the stage of development and contact details for the community liaison.
- Proactive teams reaching out to communities who have the opportunity to take part in SO at the earliest possible opportunity.
- A national awareness raising campaign for shared ownership, with case studies of successfully implemented shared ownership cases.
- Improved community access to finance. This could be provided through the Scottish Community Wealth Fund (see answer to question 7) and/or through Government-backed loan guarantees to derisk shared ownership and bring forward cheaper investment.
- Free accredited financial and legal advice, both of which are regulated.
- Advice, training and capacity building support for communities, including support to develop effective legal and financial capacity to negotiate and monitor shared ownership arrangements.
- Templates for legal and financial documents, potentially proven software for managing it.

New financial products may need to be designed for communities to access the levels of finance needed to buy up to 20% of shares in offshore renewables.

Many developers will need incentives or conditionality in order to proactively engage communities and offer them credible shared ownership opportunities.

- One incentive could be modelled on Denmark's Guarantee Fund, which provides grants to fund the preliminary investigations for small-scale wind farms that are legally organised as a wind partnership (with shared ownership by citizens). (https://www.sciencedirect.com/science/article/pii/S2214629624001968)
- Conditionality could take the form of Crown Estate Scotland not granting seabed leases to develop or repower renewables unless the development is at least partially community-owned (or at the very least that there is evidence that a legitimate and genuine offer of shared ownership was made but not taken up)
- We recommend that the Scottish Government issue planning guidance to add community ownership and shared ownership to the list of material considerations for new and repowering energy developments.

We recognise that developers are facing challenges when operating in the UK compared to Europe: in the UK they do not benefit from the European Green Bond, and they face uncertainty about TNUoS charges and zonal pricing. These factors should be looked at and addressed in order to keep the renewables industry in Scotland and the rest of the UK competitive.

However, we do not believe that these factors should be barriers to developers offering shared ownership or meeting an increased benchmark for community benefit, since different policies can be set on acceptable levels of profit and shareholder dividends, if developers are given sufficient time to plan ahead for these changes. Shared ownership and community benefit should be seen as part of the framework of operating in Scotland (or the UK).

Onshore Questions

1.

1.a) Which of the following onshore technologies should be in scope for the Good Practice Principles (select all that apply)

In response to these questions Community Land Scotland is responding as a coalition member of the Scottish Community Coalition on Energy. As part of our coalition we have run events on this consultation to speak to our members and other organisations and individuals within the community sector – our response reflects those discussions.

We have said 'in scope' to all of the options:

Wind – in scope
Solar – in scope
Hydro power (including pumped hydro storage) – in scope
Hydrogen – in scope
Battery storage – in scope
Heat Networks – in scope
Bioenergy – in scope
Carbon capture, utilisation and storage (CCUS) and Negative Emissions Technologies (NETs) – in scope
Electricity Transmission – out of scope
Other – in scope

1.b) Please explain your reasons for the technologies you have selected to be in or out of scope and provide evidence where available.

We have selected all of the options, because we believe that all new or expanding private energy developments have a role to play in funding a just transition for Scottish communities.

We would not want community benefits from CCUS, NETs, hydrogen or biomass technologies to be seen as endorsing or justifying these technologies, given that these technologies are costly, not proven to work at scale (CCS/NETs) and/or not the most efficient way to decarbonise bar limited cases

However, if these sectors are going to expand, then we would expect them to provide community benefits.

The same applies to any new oil, gas or waste-to-electricity infrastructure. However the presumption against these should strongly remain, and community benefit would in no way justify a change of position: new infrastructure should not be considered as it is incompatible with limiting global warming to 1.5C.

Transmission – out of scope. The UK Government has set out guidance on community benefits from transmission, which will apply across the UK. The Scottish Government's Good Practice Principles could however state that best practice would be for the UK Government to turn their guidance on transmission community funds into legislation, to ensure it is complied with.

Other - We would include all forms of energy storage.

2. Should the same Good Practice Principles apply in a standard way across all the technologies selected, or should the Good Practice Principles be different for different technologies? Please explain the reasons for your answer and provide evidence where available.

For simplicity, wherever possible the Good Practice Principles should apply in a standard way across all selected technologies. Much of the guidance applies equally to all technologies, including how to engage local communities and how communities can best govern and maximise community benefit funds.

However, the good practice benchmark levels should differ across different technologies (see answers to questions 11 and 12 below).

How to define the relevant community or communities will also differ between onshore and offshore – see response to the initial questions in the off-shore consultation.

3. Do improvements need to be made to how eligible communities are identified? For example, changes to how communities are defined at a local level, and whether communities at a regional and/or national level could be eligible. Please explain your answer and provide supporting evidence if available.

Improvements must be made on how and when developers engage communities, as outlined in the answer to question 4.

Communities at a national level should be able to access finance for community wealth building, but developer contributions to a Scottish Community Wealth Fund should be treated as separate and additional to local community benefit packages. Whilst community benefits are in themselves distinct from compensation packages, distinction between local community benefits contributions and contributions to a national fund is very important to ensure that local communities are fairly rewarded for hosting infrastructure and that there is neither perception nor a reality in which these local funds are being redirected to communities in other areas of the country.

Every community should be able to access finance for wealth-creating projects like local shops and cafes, affordable housing or their own renewable energy generators. This opportunity should not be limited only to communities situated near to renewables developments. We are all funding the energy transition through our energy bills, and we all deserve a share of the financial wealth that is being consolidated through this process. Please see our answer to Question 7 in the Offshore questions for more information about our Scottish Community Wealth Fund proposal.

4. Should more direction be provided on how and when to engage communities in community benefit opportunities, and when arrangements should take effect? Please explain your answer and provide evidence/examples of good practice where available.

Yes.

The Good Practice Principles should recommend that the developer begins community engagement as soon as possible, but in particular before the planning or consenting stage begins.

The Good Practice Principles should recommend that:

- Developers should use all available avenues to reach communities, including in print, online, in person (e.g. town hall events) and through several existing community organisations and Council officers.
- In addition to the community benefit payments, developers could fund community development officer posts, as they would also benefit by establishing a good relationship with the local community from the start. (There is precedent for this; developers pay Moray Council contributions to employ Community Wealth Building officers. However such posts do not need to be based within Council organisations.)
- The developer should proactively reach out to community organisations, identify the appropriate organisations and individuals to speak to, and make a concerted effort to meaningfully engage with them on defining the relevant communities and agreeing the community benefit package.
- Organisations that developers should speak to in the first instance include community anchor organisations, development trusts, other incorporated community development bodies (e.g. SCIOs, CICs), community councils, along with the relevant enterprise agency and local authorities.
- Resource should be directed to cover the time of community development officers and for participation in consultation events, to enable them to fully take part in the definition of the relevant communities. This is particularly important in more deprived communities who have even less capacity to rely on unpaid volunteers to participate.

5. How could the Good Practice Principles help ensure that community benefits schemes are governed well? For example, what is important for effective decision-making, management and delivery of community benefit arrangements? Please explain your answer and provide evidence/examples of good practice where available.

The first step to ensure effective governance of community benefit arrangements is for all relevant stakeholders in the community to be engaged and involved. Resource should be directed towards more deprived communities who have less capacity to do unpaid volunteer work, in order to enable them to fully take part in the definition of the relevant communities.

The communities that have been identified as the relevant communities for the Community Benefit Package (see question 4 above) should have full control over how the funds are used.

The community organisation, organisations or consortium that is identified to make decisions about how the funds are used should be constituted community bodies such as SCIOs, Community Benefit Societies or Companies Limited by Guarantee, and should be democratically representative of the relevant community. That can be measured by whether they possess these characteristics:

- Open and accessible wide community membership
- Democratic and transparent Board elections led by the members
- Best practice community engagement and communication with all stakeholders in the community (e.g. local fishers)
- Profit used for wide community benefit and not individual gain

In some cases it may be most appropriate for the community to establish a new community organisation which meets the above criteria, which would then provide governance of the fund and make decisions on spending.

This model of community benefit is termed 'direct investment' by the UK Government's Transmission Infrastructure Guidance'. This should be presented as best practice, in contrast to developers making community benefits available through grant schemes which they control.

Other mechanisms that would help ensure that the funds are used in ways that meet the needs and wishes of the community include a periodic review of funding decisions by selected members of the community, an auditing role for the Government (as in Ireland), and mandatory reporting on the use of funds.

Good practice examples:

- Isle of Gigha Community Fund (from onshore wind) is managed by the Isle of Gigha Heritage Trust. Their board of directors is elected by the membership. The Fund supports projects or activities that will deliver against the objectives of the Trust.
- 9CC (Community Councils in East Ayrshire) manages and distributes community benefit allocations across 9 Council areas. The team is made up of community councillors and two paid staff.

6. How could the Good Practice Principles better ensure that community benefits are used in ways that meet the needs and wishes of the community? For example, more direction on how community benefits should or should not be used, including supporting local, regional or national priorities and development plans. Please explain your answer and provide evidence/examples of good practice where available.

Communities should have full control over how the funds are spent.

More guidance could be provided on balancing investment in longer-term, strategic priorities (e.g. community-owned renewables or shared ownership, which will not generate a return for years) vs smaller projects with more immediate but more short-term benefit.

Community organisations should be supported to set objectives for their community benefit funds that align with local community plans (e.g. Local Place Plans, Community Action Plans, Area Plans), or to draw up such a plan if none currently exists, following a meaningful community engagement process to determine priority community needs and wants.

Communities should address their own priorities according to their own local plans. They should be encouraged to consider whether investing community benefits in revenue-generating assets (e.g. land, buildings, community businesses or community-owned energy) could address local needs while at the same time providing a long-term revenue stream for the community, which can continue once the community benefit funds have stopped.

Our community engagement for this consultation found that there is more support for a national fund than for regional funds, as a mechanism to manage community wealth building contributions, particularly from offshore developments, in addition to local community benefits.

In order to help communities secure community benefits to at least the good practice level and ensure that these benefits are used by the community in ways that meet the needs and wishes of the community, the Scottish Government should create or fund Community Benefits Champion posts that have specialist knowledge (of the renewables industry, facilitation and community development) and would:

- Directly engage in negotiations with developers, to maximise community benefits from energy projects in development.
- Reach out to communities that are impacted or associated with each development, and support them to work together to achieve the best possible outcome.
- Be complemented by appropriate resource to upskill and support local communities to directly engage in and be active participants in the discussions in the future, as well as to support with governance of community benefits received and support with development of projects that address local needs.

Other measures that would help communities maximise *the impact* of their community benefits include: a more consistent community benefits advice and support service, including links to training for community organisations on effective governance and managing conflicting views; and mechanisms for community members to question and recall decision-makers on community benefit fund boards, where decisions have not been in line with community plans.

Making legal and financial expertise available to communities for free would help ensure that they maximise the impact from such investments.

7. What should the Good Practice Principles include on community benefit arrangements when the status of a new or operational energy project changes? For example, reviewing arrangements when a site is repowered or an extension is planned, or when a new project is developed or sold.

Community benefit payments should be reviewed and should rise to the good practice benchmark at the time of the status change. They should be protected so that they cannot fall, i.e. if a developer is giving higher than good practice and then sells it, the next developer should pay the same and it should not fall to the GPP levels.

There should be an expectation on developers to engage with the community about renegotiating the whole community benefits package including but not exclusive to financial payments.

Control and governance of community benefits should be handed to a local community organisation (see answers to offshore questions 3-4), if one exists which has the capacity and governance structures in place to manage the resources (in conjunction with a specialist fund management body if needed). This should involve wholly devolving spending decisions to a board of community representatives.

A Community Benefit Champion should be allocated to the community (see answer to question 6 above).

Communities should be given shared ownership offers for all new and repowering developments, as well as at the point of sale of the development. (Please see answer to offshore question 11 for more about shared ownership.)

Additional commitments already made in the Onshore Wind Sector Deal for Scotland should also apply. For example, coordinating community benefit funds with nearby communities could enable multiple communities in the area to buy a stake in the changing development through shared ownership.

The standard practices set out in the revised Good Practice Principles, on identification of the relevant community, consultation/engagement, achieving majority support, etc, should also continue to apply.

8. Should the Good Practice Principles provide direction on coordinating community benefit arrangements from multiple developments in the same or overlapping geographic area? If so, what could this include? Please explain your answer and provide evidence/examples of good practice where available.

Yes, this would be helpful, if the community wants to do this.

This could include case studies for communities on where this has been done successfully, e.g. the 9CC Group in Ayrshire or the East Lothian Community Benefits Company which will receive benefits from energy schemes across the East Lothian county. Case studies should also include problems and pitfalls to avoid.

9. What improvements could be made to how the delivery and outcomes of community benefit arrangements are measured and reported? For example, the Good Practice Principles encourage developers to record and report on their community benefit schemes in Scotland's Community Benefits and Shared Ownership Register. The register showcases community benefits provision across Scotland using a searchable map.

A publicly available national register, which is fully updated and widely disseminated, would satisfy the Just Transition Commission recommendation that there should be "enhanced disclosure of funds allocated" to ensure "scrutiny and accountability", and would allow scrutiny as to whether benefits are being shared equitably across communities and regions.

We encourage the Scottish Government to urge the UK Government to **require** developers to record and report on community benefit schemes on an annual basis. The UK should follow the example set by Ireland where the national Sustainable Energy Authority maintains the Community Benefit Fund National Register, which records the mandatory community benefit payments.

Whether developers use Scotland's Community Benefits and Shared Ownership Register or a new UK-wide register, it should record all sources of developer income including generation, CfDs, Feed-in Tariffs and curtailment as well as financial benefits paid, whether these meet the current Good Practice Principles and whether these are paid into a community organisation's benefit fund (and to whom), or as grants. This would increase transparency and enable assessment of how many developers are meeting the good practice benchmarks and aligning with the principles.

In-kind benefits such as local job creation should also be reported on the Register, but separately from direct financial benefits, to avoid conflation.

All information on Scotland's Community Benefits and Shared Ownership Register should be updated, and/or dates should be added, to help viewers understand how up-to-date the information is and current timelines. Best practice case studies could be made more prominent.

This functionality should be added to the existing map which shows the community benefits payments per capita in different wards across Scotland. This would allow for recognising which communities are currently not benefitting to help demonstrate the need for a Scottish Community Wealth Fund which would be available to all communities, in both rural and urban areas.

The map could also include sites where a new development has received planning consent, and send alerts to relevant local communities about the opportunity for community benefits and shared ownership. Alternatively, this information could be presented on a separate map/portal.

10. In addition to the Good Practice Principles, what further support could be provided to communities and onshore developers to get the most from community benefits? For example, what challenges do communities and onshore developers face when designing and implementing community benefits and how could these challenges be overcome? Please explain your answer and provide evidence/examples of good practice where available.

Capacity building support for communities is essential. This should begin at the planning stage, if not before. Communities situated near planned developments could be prioritised.

In order to help communities secure community benefits to at least the good practice level and ensure that these benefits are used by the community in ways that meet the needs and wishes of the community, the Scottish Government should create or fund Community Benefits Champion posts that have specialist knowledge (of the renewables industry, facilitation and community development) and would:

- Directly engage in negotiations with developers, to maximise community benefits from energy projects in development.
- Reach out to communities that are impacted or associated with each development, and support them to work together to achieve the best possible outcome.
- Be complemented by appropriate resource to upskill and support local communities to directly engage in and be active participants in the discussions in the future, as well as to support with governance of community benefits received and support with development of projects that address local needs.

Other measures that would help communities maximise *the impact* of their community benefits include: a more consistent community benefits advice and support service, including links to training for community organisations on effective governance and managing conflicting views; and mechanisms for community members to question and recall decision-makers on community benefit fund boards, where decisions have not been in line with community plans.

Making legal and financial expertise available to communities for free would help ensure that they maximise the impact from such investments.

Developers can help maximise the impact of their community benefit payments by additionally funding community capacity building, as set out in the UK Government's guidance on Community Funds for Transmission Infrastructure. This funding could go to organisations who are already supporting community capacity building, and/or to additional development officers who are embedded in the community and who can bring in additional funding to further maximise the impact of the community benefits.

The impact of community benefit funds will be maximised if they are invested in revenue-generating assets (e.g. land, buildings, community businesses or community-owned energy) which provide a long-term revenue stream for the community, which can continue once the community benefit funds have stopped. More guidance could be provided how communities can undertake a prioritisation process to balance investment in longer-term, strategic priorities (e.g. community-owned renewables or shared ownership, which will not generate a return for years) vs smaller projects with more immediate but more short-term benefit.

Finally, establishing a Scottish Community Wealth Fund that would ringfence revenue for community wealth building across the country would help maximise the impact of local community benefit funds. This is because it would provide additional funds for community capacity building where it is most needed, and additional finance for communities looking to invest in revenue-generating assets. This would be particularly helpful where the local community benefit payments are not sufficient to enable the community to invest in the assets required to meet the aims of their community plan.

11. Do you think that the Good Practice Principles should continue to recommend a benchmark value for community benefit funding? The current guidance recommends £5,000 per installed megawatt per year, index-linked (Consumer Price Index) for the operational lifetime of the energy project.

Choose from:

- *Yes*
- *No*
- *Dont know*

Yes.

12. a) Should the benchmark value be the same or different for different onshore technologies? Please explain your answer.

The Good Practice Principles should set out a recommended *method* for calculating community benefits, which should be the same across different onshore technologies.

The method we recommend is linking community benefit to percent of revenue, and including a 'floor' (minimum payment guarantee) of £X per megawatt per year. (The approach will need to be different for storage and any CCUS projects.)

The benchmark for the floor payments should be set at a different level for different onshore technologies, storage and transmission infrastructure, given differing levels of expected revenue, and different levels of impact on the local communities, but risk/impact and reward should be proportionate.

The minimum payment benchmark should also be index linked every year and this should be published by the Scottish Government. The previous recommendation of £5000/MW remained static for 15 years, during which time it will have devalued significantly due to inflation and energy price increases. The national benchmark, as well as benchmarks for every project, should increase every year in line with inflation.

12. b) How could we ensure a benchmark value was fair and proportionate for different technologies? For example, the current benchmark for onshore is based on installed generation capacity but are there other measures that could be used? Please provide any evidence or data to support your preferred approach.

The measure we recommend is percent of revenue. This should be accompanied by a backstop of a 'floor' (minimum payment guarantee) of £X per megawatt per year for local community benefit funds.

Recommended measures for onshore renewable electricity generation (including wind, solar and hydro):

- 4% of gross revenue from the development to local community benefit fund(s)
- 1% of gross revenue from the development to a nationally-coordinated wealth fund (see answer to offshore question 7). There is no floor for these contributions.

When the floor for local community benefit funds is not met by 4% of revenue alone, the backstop would kick in, and the floor amount would be paid.

The guaranteed floor for onshore should be set at different levels for different technologies, given their differing levels of expected revenue. For example, we recommend a guaranteed floor (minimum payment) of £7.5k/MW/year for onshore wind. For solar, the floor should be set much lower than £7.5k/MW/year, so that it is under 4% of solar project revenue in most cases.

The floor for energy storage (and any CCUS projects that go ahead) should use a different method of calculating the minimum floor.

Developers who have followed the Scottish Government's previous good practice principles committed to an inflation-linked figure of £5000/MW/year. For those developers who installed their projects ten to fifteen years ago, their payments will now be broadly in line with the minimum guaranteed payment of £7,500/MW/yr that we are recommending. This would therefore bring other projects into line with those who have followed best practice for over a decade.

While previous good practice covered all onshore renewable technologies, in practice feedback from solar PV developers has been that the £5000/MW/year figure did not make commercial sense for the solar PV sector, where generation is significantly lower for the same MW capacity. For that reason, we suggest reviewing all technologies to look at what the appropriate minimum floor should be in 2025 onwards.

Linking community benefits to revenue is the fairest for both developers and communities. For developers, it would mean that if generation and revenue is low one year, they do not have to pay as much to communities, as long as the floor is met. For communities, the floor provides some certainty of income, but they can also enjoy higher payments in years when revenue is higher.

It is difficult to know how affordable these recommendations would be for developers, given that they do not tend to publish financial details including their operating margins. However, we understand that the benchmark for *profit* (less than revenue) from current onshore wind developments is £100,000/MW/year.

13. Are you aware of any likely positive or negative impacts of the Good Practice Principles on any protected characteristics or on any specific groups in Scotland, particularly: businesses; rural and island communities; or people on low-incomes or living in deprived areas? The Scottish **Government** is required to consider the impacts of proposed policies and strategic decisions in relation to equalities and particular societal groups and sectors. Please explain your answer and provide supporting evidence if available.

If the Good Practice Principles help communities and developers to negotiate improved community benefit packages that are fairer and proportionate for communities, then they will have a positive impact on relevant rural and island communities, people on low incomes and people in deprived areas (particularly those experiencing rural and regional disadvantage, as outlined in the HIE 2022 report).

They will also have a positive impact on local and community businesses, who benefit from community groups reinvesting their funds locally. (An average of 70% of community energy groups' expenditure is spent locally.)

If the Good Practice Principles include a recommendation that developers make contributions to a Scottish Community Wealth Fund, and if this is followed, then the principles will have a positive impact on all of the above, but particularly those living in deprived areas, including those in high SIMD areas that are not currently receiving community benefits. (Studies show that poverty is highest in large urban areas, although rural, remote and island areas also face different measures of disadvantage.)

If the Good Practice Principles set a higher benchmark level for community benefit payments, then this could have a small negative financial impact on developers, which could lead to lower profits and shareholder dividends. However, this should be counterbalanced by increased social licence for their developments, good local and national reputation for their business, and potentially reduced time in planning and development, including fewer objections and appeals (as found in a study of Dutch windfarms with differing levels of shared ownership: https://www.sciencedirect.com/science/article/pii/S2214629624004821). Strong, clear guidance would benefit developers by helping create a more level playing field and not interfering with competition.