Community Energy Scotland

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?

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), mainly including residents.
- Communities of interest (e.g. fishing, other sectors that use the marine and coastal space, environmental groups that care for the relevant area.
- The geographically-defined communities will include those who live within a reasonable distance from 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 members and 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 grid connections are made or where cables make landfall
    - 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. (Please 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.

Factors that should be considered include

- Size of the development (i.e. the bigger the project, the bigger the size of the area that should benefit)
- Visual and aural impact on residents
- Whether or not the development is visible from the shore. (When it is, there is a case for a higher portion of the community benefits going to the coastal community / communities that can see the windfarm. When it is not, there is a stronger case for contributions to a nationally coordinated wealth fund (see answer to question 7 below), in addition to a smaller share of the revenue going to communities that live within a reasonable distance of the infrastructure, as outlined in question 1.
- Poverty, equity, and vulnerability are other factors that should be considered, and would point to the need for community benefit contributions from offshore wind to be more equitably distributed throughout Scotland, including in urban areas.
- The capacity of the community to engage in processes to define the relevant community (and support should be provided to enable all communities to engage).

Flexibility and engaging with multiple community organisations is key

As noted in the current draft Good Practice Principles for Offshore Renewables, flexibility is important, so 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**. The discussion of community on pp. 6-7 of the Irish Government's Renewable Energy Support Scheme: Good Practice Good Practice Principles Handbook for Community Benefit Funds provides a good example of greater flexibility.

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.

Developers should contribute to costs of community engagement

We would like to see the Good Practice Principles echo the UK Government's guidance on community benefits from transmission, in its statement that "We expect developers to fund delivery costs separately to the community fund itself", with those delivery costs including "engagement and any capacity building required within the local community." Resource 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.

Boundaries and mechanisms for delivering benefits

The current Good Practice Principles for *onshore* renewables suggest using community council boundaries. However, this can be a somewhat artificial boundary, sometimes meaning that a neighbouring communities can be ineligible despite being visually impacted by an onshore wind development. Where Community Councils are absent, and there are no obvious properly constituted community bodies such as development trusts, it may be that offshore developers have to consider distributing local community benefit funds over a broader area, or through the local strand of a Scottish Community Wealth Fund. (The 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. Please see answer to question 7 below.)

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.

Good practice means communities having full control

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.

Identifying or establishing the decision-making body

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, and how they are distributed to each relevant community within the area of benefit. The community organisations could be development trusts, community anchor organisations, Climate Action Hubs or other constituted community 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.

Decision-makers for a nationally-coordinated fund

We believe that offshore developers should contribute additional 'community wealth building contributions' into a nationally-coordinated fund (see answer to question 7 below). This fund would be made available to communities across the country, who would apply to it to access (additional) finance for their local priorities.

Decision-making on how this fund is disbursed to communities would be made by an independent board, which should be led by community representatives, and include representatives from COSLA and developers, fund management expertise and financial experts.

Our members suggested that fund 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.

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.

Democratic representation through community-led organisations

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 (e.g. residents, 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 would provide governance of the fund and make decisions on spending. Community organisations could be encouraged to work with community banks, if they exist in the area, to provide fund management, as long as community members retain control over spending.

This model of community benefit is termed 'community-led decision making' and 'direct investment' by the UK Government's Transmission Infrastructure Guidance (p. 12 and 15, respectively). 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.
- [Horshader Community Development Trust]'s Community Fund (from community-owned wind revenue) clearly sets out its priorities for funding, which must align with the charitable aims of the Trust. The application guidance also states that "Projects will score higher if they can demonstrate a high level of community involvement, showing that there is a need for the project; be of benefit to a large cross section of the community".

Comparison with UK Government Guidance

We support the majority of the principles set out in the UK Government's recently published guidance on transmission community benefits (p. 4), including:

- "We expect the community funds packages to be community-led; reflecting the priorities and preferences of the local communities." (This should be a given because the funds should be controlled by the community.)
- "Developing the community funds arrangements and proposals will require communities to volunteer their time, knowledge and experience. Communities should be supported so that the most diverse range of people within the community can be involved and to achieve their desired outcomes."
- "Community funds should seek to improve the social, economic and environmental wellbeing of the community and deliver benefits that endure over the long term."
- "if developers deviate from this guidance, they should explain the reasons for this to communities."

However, we strongly disagree with the statement on p. 7 of the UK Government guidance: "Developers set out the governance and decision-making arrangements." It should be the relevant community organisation(s) that set out the governance and decision-making arrangements.

Other mechanisms to ensure the funds meet community needs and wishes

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 evaluation role for the Scottish Government to assess whether community benefit arrangements comply with the Good Practice Principles and the principle of community control;
- Reporting on the use of funds allocated by the Scottish Community Wealth Fund to the Community Benefits Register;
- If regional funds are set up, they should be required to evidence that spending meets local needs and priorities in the area that the spending will take place.

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.

Developers/project operators must be clear about whether community benefit payments will be provided as a one-off lump sum or as annual payments into a Community Benefit Fund. Communities should not have to apply for one-off, time-limited grants to access the community benefits. If they are annual payments, best practice would enable the community to drawdown funds earlier when needed to support larger, strategic projects.

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.

Requiring or incentivising community benefits to maximise impact

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. We also urge the Scottish Government to consider how to more strongly incentivise developers to provide community benefits at the good practice level, e.g. by issuing planning guidance to add community ownership and shared ownership to the list of material considerations for new and repowering energy developments. (Please also see answer to question 12 below.)

Improving reporting to assess impact

Transparent reporting on the levels of community benefits provided is the first step in assessing and then maximising impact. The current Good Practice Principles for onshore renewables state that developers are 'requested' to submit details to the Scottish Register of Community Benefits from Renewables. In both the onshore and offshore Good Practice Principles, 'requested' should be changed to 'expected'. (Also see question 9 in the onshore section for more on improving reporting.)

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.

Maximising impact by negotiating a fair community benefits package

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 communiteis 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 at at least the good practice level and ensure that these benefits are shared equitably across communities, the Scottish Government should create or fund Community Benefit Champions 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).

The Good Practice Principles should include clear guidance on wider community benefits that should be treated separately and additionally to payments to community benefit funds, including local procurement, local jobs, training and upskiling, housing, upgrading transport and infrastructure and improving connectivity. They should include good practice case studies to help communities see what is possible.

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Maximising the impact through governance and spending decisions

Measures that would help communities maximise *the impact* of their community benefits include: a more consistent community benefits advice and support service (separate from the Community Benefit Champions as it would be available to all communities), 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.

The Good Practice Principles should urge developers to be clear about the total community benefit payments that will be provided over the lifetime of the development, and whether these will be provided as a one-off lump sum or as annual payments into a Community Benefit Fund. If they are annual payments, best practice would enable the community to drawdown funds earlier when needed to support larger, strategic projects.

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. Funding must be available for community groups to develop their plans.

Communities should address their own priorities according to their own local plans. Communities must be given the freedom to use the community benefit payments as seed funding for projects that create long-term income streams or increase capabilities and resilience in the community. Investing community benefits in revenue-generating assets (e.g. land, buildings, development officers, 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.)

Example of complementing community benefits with shared ownership

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.

Maximising local community benefits through a Scottish Community Wealth Fund

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.

Our members made 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 communitie, reducing dependency on short-term funding and grants.

Our proposal for a Scottish Community Wealth Fund, which is *separate and additional to* to community benefit payments, would be one way to ensure that communities can benefit from larger scale, longer term, or more complex projects, including community ownership – while still being able to use local community benefit funds for other projects that may deliver a more immediate positive impact. (See the answer to question 7 below for more on the Scottish Community Wealth Fund.)

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.

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, but this will be the reality if we do not take steps to ensure that no community is left behind. 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.

We agree there is a need for a nationally-coordinated approach to ensuring equitable distribution of wealth and supporting community wealth building through a just energy transition. **We envision this as a national fund for local community 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. **It must be separate and additional to local (and potentially regional) community benefit arrangements.**

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.

Scottish Community Wealth Fund proposal

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). We encourage the Scottish

Government to express support for the Fund, to issue guidance to industry on paying contributions into the fund, and to be part of the conversation in setting its objectives and recruiting an independent funding board.

The board should be led by community representatives, and include representatives from COSLA and developers, SNIB, 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.

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.

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.

What should the Good Practice Principles say about a Scottish Community Wealth Fund?

We encourage the Scottish Government to state that it will explore 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 once established, in addition to at least 1% provided to the relevant local community or communities through community benefit payments. Other offshore technologies, including tidal, are not yet at the commercial stage where we can make an informed recommendation on the level of contribution, however a benchmark percent of revenue should be set.

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.

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, an approach which 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 so they are not truly in agreement.

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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 of the utmost importance that good practice benchmark values are set for the offshore renewables sector. They 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.

Benchmarks for offshore wind

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 for offshore wind. If 1% of gross revenue for the development is less than the floor, then the £2,500/MW/year should still be paid.

The floor should be index-linked so that it rises in line with inflation: both the starting point for the floor, and the floor within each project as the project progresses, should rise in line with inflation.

In addition, we recommend that 4% of gross project revenue from offshore wind 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.

Benchmarks for other offshore technologies

Other offshore technologies, including tidal, are not yet at the commercial stage where we can make informed recommendations on the levels of contribution. Once they are, the Scottish Government should set appropriate percentages of project revenue that should be provided to local community benefit funds and to the Scottish Community Wealth Fund. An appropriate floor should also be set for other offshore technologies at the same time that the revenue benchmark is set. This should be index-linked as for onshore wind.

Affordability for developers

We recognise that developers are facing commercial challenges in offshore wind, and when operating in the UK compared to Europe (e.g. in the UK they do not benefit from the European Green Bond, and they face uncertainty about TNUoS charges and zonal pricing). Further, many CfDs have not been adjusted for inflation. These factors should be looked at and addressed in order to keep the offshore renewables industry in Scotland and the rest of the UK competitive.

However, just as developers need a fair deal, so do Scottish communities. These challenges do not justify delaying the creation of good practice benchmarks for offshore renewables, and they should not exclude offshore developers from the expectation of offering community shared ownership.

Several offshore wind developers are owned by parent companies that operate in additional technologies including fossil fuels. Significant profits are being made in other technologies, and some of that finance could be used to support the offshore renewables projects undertaken by their renewables subsidiaries, even if this requires changes in company policies.

Some offshore wind developers have reduced their internal rate of return guidance. Reducing shareholder returns should be considered if it will enable the delivery of offshore renewables projects that share a fair portion of profit with Scottish communities.

Setting the benchmark value for offshore renewables as a percentage of revenue (with a minimum floor) should be more affordable and flexible for developers than a fixed sum per Megawatt. It means that in years when generation and revenue is low, they do not have to provide as much in community benefit, as long as the floor is met.

Setting benchmark values for offshore renewables will help to level the playing field between competitors and provide more certainty and consistency for investors in the sector, by setting out a clear expectation of contributions from all developers, which can be factored into project and business planning.

More of the wealth being generated by Scotland's natural resources could be retained in Scotland and flowing to Scottish communities, if the Scottish Government makes clear, in as strong terms as possible, that **shared ownership offers and community benefit at the benchmark levels are part of the framework of operating in Scotland and its waters.**

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

Community Benefit Champions and Advice

In order to help communities secure community benefits at at least the good practice level and ensure that these benefits are shared equitably across communities, the Scottish Government should create or fund Community Benefit Champions posts that have specialist knowledge (of the renewables industry, facilitation and community development). This should be complemented by a more consistent community benefits advice and support service. (Please see answer to question 5 above.)

Guidance on what 'maximising' means

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, training and upskiling, housing, upgrading transport and infrastructure and improving connectivity (and including guidance on best practice in all of those areas).
- Establishing a Scottish Community Wealth Fund which would make finance available to communities across Scotland, complementing local community benefit packages.

Updating related processes

The Sectoral Marine Planning and Crown Estate leasing processes should be updated to reflect the new offshore Good Practice Principles. As well as a supply chain development statement, developers could be required to submit a community benefit statement.

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.

Substantial benefits for communities and developers

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 (see answer to Question 8 in the offshore wind section). The Netherlands provides an instructive example. To counter growing opposition to turbines which were posing a serious threat to their wind insutry, the Government introduced the Klimaatakkord, which added shared ownership to the national regulatory framework. They also set out a legislative target of 50% of onshore wind and solar to be local citizen-owned by 2030. A study found that windfarms with a higher percentage of cooperative ownership led to a faster planning and development process, and fewer legal objections and appeals: https://www.sciencedirect.com/science/article/pii/S2214629624004821?ref=pdf_download&fr=RR-2&rr=92362f331a0fb331

Another benefit for developers is increased finance for projects. The Scottish Government should encourage and incentivise developers to look for investment from local communities, rather than rely solely on private shareholder investment and foreign direct investment, which is at odds with the Community Wealth Building agenda.

Community vs individual investment

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 and community organisations geographically located nearest to the offshore developments, but they could be given priority in the form of earlier share offers.

Maximising benefits from shared ownership

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

Split ownership, where a community fully owns one or more turbines within a private development, or joint venture, where there is built-in community representation on the trading board or governance structure of the renewable development, are best practice. They offer the community decision making powers and a democratic say in the development at all stages of operation, including end of life, repowering, or a decision to sell.

Joint venture has not recently been offered by many developers, possibly due to reticence around the cost and time implications of offering minority ownership stakes. Building this into the project plan is crucial to give the community enough time to engage with and agree with an offer and to raise the funds. Government support for and de-risking of this process could encourage more developers to offer this most meaningful form of shared ownership.

Increasingly, a Shared Revenue model is the more common approach – whereby communities are not offered any legal ownership but instead an opportunity to purchase a share of future revenue. Where Shared Revenue is the only option on the table, communities must be supported to negotiate a fair deal and embed community control where possible – for example ensuring that rights to financial and other significant information are included in shared revenue agreements.

Feasibility of shared ownership

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. For example, Harlaw Hydro raised £400k for their community hydro scheme, which required no additional finance: https://democraticfinance.scot/case_studies/harlaw-hydro/ Other communities have raised £2m or £3m through community share offers, working with Development Trust Association Scotland or Energy4All.

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/. The Community Benefits payments can help to service loans taken out for shared ownership.

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 forms of finance for community shared ownership (CSO)

The financing landscape and market for community shared ownership is very limited and needs significant development. The recent Local Energy Scotland CSO Market Engagement Report observed that currently very few lenders are offering debt that is affordable and patient enough for shared ownership to be commercially viable. The withdrawal of the Scottish Government's Energy Investment Fund ("EIF") has left a considerable gap which has not been filled.

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 (especially where the community will not own a physical asset). This should include Government-backed loan guarantees to derisk shared ownership and bring forward cheaper investment, as well as Government funds available to communities to borrow long-term, patient, flexible debt for shared ownership, at a very low interest rate. This should be complemented by support for communities to take a democratic finance approach to raise at least part of the funds needed. This includes support to establish a Community Benefit Society structure to raise finance through community shares, community bonds and local philanthropy. Where community shares or bonds are used, the minimum investment level should be accessible to all.

Actions needed:

- Bespoke, affordable and patient financing products must be created for the community shared ownership market.
- Communities should be encouraged to consider democratic finance models (particularly community shares and community bonds) to match any debt finance. The newly formed Democratic Finance Scotland programme (DTA Scotland) can provide this support.
- An approach must be made to large-scale lenders (GB Energy, Triodos, SNIB, Better Society Capital, etc) to develop a bespoke product for a portfolio of shared ownership projects to complement the finance raised through community shares and bonds.
- The role of government at local, national and UK level in offering investment support (eg loan guarantees or booster investment programmes) will derisk CSO investment and bring forward cheaper investment.
- Developers must recognise that for a shared ownership investment to be commercially viable the community's return on investment must exceed its cost of funding. This must be considered when structuring and pricing their offer to communities.
- A Scottish Community Wealth Fund should be created, and part of its remit should be to provide grants and affordable debt for communities exploring shared ownership.

Incentives for developers to offer shared ownership

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 offshore 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 are aware that Scottish Government have maintained a separate between community benefits and the planning system, so that communities do not worry that engaging in community benefit discussions would necessarily be seen as endorsing a planning application, should the community or individuals wish to object to the application. That point should be maintained; however that is separate from the issue of making ownership a material consideration.)

A 'leaderboard' could be published showing project developers and operators who provide shared ownership (and community benefits) which aligns with the Good Practice Principles, on the highest proportion of their projects in Scotland. This could be updated on a yearly basis. The good publicity for the leaders should incentivise developers to align with or exceed the good practice.

Community Energy Scotland

Onshore Questions

1.

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

We have said 'in scope' to all of the options except transmission.

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 apart from electricity transmission (for reasons explained below), 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 (hydrogen and biomass from crops).

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 (please see answers to question 2 in the offshore section and question 3 below).

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.

Yes, improvements do need to be made to how eligible communities are identified.

Comparison with consultation on the development itself

According to the current Good Practice Principles for onshore renewables, “the consultation on the specific area of the community benefits package should at least engage the same wider geographical area that formed the consultation on the development itself.” This wording presumes that the consultation on the development takes place before the consultation on community benefits. This should not necessarily be the case. Developers should be encouraged to engage with the local communities about community benefits (and shared ownership) as early as possible. This could help developers to win the backing of the community and reduce objections to their development application. Therefore, the wording could be changed to: “the consultation on the specific area of the community benefits package should be at least the same area as the consultation on the development itself.”

Beyond community council boundaries

The current Good Practice Principles suggest using community council boundaries. However, this can be a somewhat artificial boundary, sometimes meaning that a neighbouring communities can be ineligible despite being visually impacted by an onshore wind development.

The definition and identification of communities should be considered on a case-by-case basis, and communities should have a say on who is relevant and which organisations and individuals need to be included. (Please see the response to question 4 below.) The discussion of community on pp. 6-7 of the Irish Government’s Renewable Energy Support Scheme: Good Practice Good Practice Principles Handbook for Community Benefit Funds provides a good example of greater flexibility.

The presumption should be that the bulk of community benefits from onshore developments should go to communities near those developments. (Please see answer to question 12 for figures.)

The current Good Practice Principles set out factors to consider in identifying the area of benefit, including proximity to the development; these factors should continue to be employed as a starting point. The area of benefit may not be definitively agreed until the developer has engaged with relevant community organisations and they have worked together to identify the community organisations that will be involved in agreeing and managing the community benefit package (please see answer to question 4 below).

Where there are no community councils nor properly constituted community bodies such as development trusts, it may be that developers have to consider distributing funds over a broader area, or through the local strand of a Scottish Community Wealth Fund (see below).

Proposal for a Scottish Community Wealth Fund

Every community throughout the nation 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.

There is a need for a nationally-coordinated approach to ensuring equitable distribution of wealth and supporting community wealth building through a just energy transition. We envision this as a national fund for local community projects, not for regional or national projects, which should be funded separately. It must be separate and additional to local (and potentially regional) community benefit arrangements.

Our community engagement for this consultation found that there is considerable support for a nationally-coordinated fund as a mechanism to manage community wealth building contributions, in addition to local community benefits.

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). We encourage the Scottish Government to express support for the Fund, to issue guidance to industry on paying contributions into the fund, and to be part of the conversation in setting its objectives and recruiting an independent funding board. The board should be led by community representatives, and include representatives from COSLA and developers, SNIB, 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.

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.

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, and developer contributions to a Scottish Community Wealth Fund should be treated as separate and additional to local community benefit packages.

This 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.

What should the Good Practice Principles say about a Scottish Community Wealth Fund?

We encourage the Scottish Government to state that it will explore the creation of a Scottish Community Wealth Fund in the Good Practice Principles. The onshore principles should recommend that onshore developments contribute 1% of their project revenue to the Scottish Community Wealth Fund once established, in addition to at least 4% provided to the relevant local community or communities through community benefit payments. (Please see answer to question 12 below for more detail on figures.)

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, this is very much needed. Improvements must be made on how and when developers engage communities.

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.) Resource should be directed to cover the time of community development oficers 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.
- 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, Climate Action Hubs, other incorporated community development bodies (e.g. SCIOs, CICs), community councils, along with the relevant enterprise agency and local authorities.

Arrangements should take effect when the technology starts generating electricity. (This is separate from any compensation payments which may be made earlier to impacted communities.)

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.

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.

Democratic representation through community-led organisations

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. Community organisations could be encouraged to work with community banks, if they exist in the area, to provide fund management, as long as community members retain control over spending.

This model of community benefit is termed 'community-led decision making' and 'direct investment' by the UK Government's Transmission Infrastructure Guidance (p. 12 and 15, respectively). This should be presented as best practice, in contrast to developers making community benefits available through grant schemes which they control.

Other mechanisms to ensure the funds meet community needs and wishes

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 evaluation role for the Scottish Government to assess whether community benefit arrangements comply with the Good Practice Principles and the principle of community control;
- Reporting on the use of funds allocated by the Scottish Community Wealth Fund to the Community Benefits Register;
- If regional funds are set up, they should be required to evidence that spending meets local needs and priorities in the area that the spending will take place.

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

The Good Practice Principles should urge developers to **be clear about the total community benefit payments that will be provided over the lifetime of the development, and whether these will be provided as a one-off lump sum or as annual payments into a Community Benefit Fund**. If they are annual payments, best practice would enable the community to drawdown funds earlier when needed to support larger, strategic projects.

Good practice examples

Isle of Gigha Community Fund is managed by the Isle of Gigha Heritage Trust. Their board of directors is elected by the membership. The Fund (from community-owned wind revenue) supports projects or activities that will deliver against the objectives of the Trust: https://www.gigha.org.uk/home#Community-Fund

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. https://9ccg.co.uk/about-us

Horshader Community Development Trust's Community Fund (from community-owned wind revenue) clearly sets out its priorities for funding, which must align with the charitable aims of the Trust. The application guidance also states that "Projects will score higher if they can demonstrate a high level of community involvement, showing that there is a need for the project; be of benefit to a large cross section of the community".
https://www.horshader.com/community-fund

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.

Comparison with UK Government Guidance

We support the majority of the principles set out in the UK Government's recently published guidance on transmission community benefits (p. 4), including:

- "We expect the community funds packages to be community-led; reflecting the priorities and preferences of the local communities." (This should be a given because the funds should be controlled by the community.)
- "Developing the community funds arrangements and proposals will require communities to volunteer their time, knowledge and experience. Communities should be supported so that the most diverse range of people within the community can be involved and to achieve their desired outcomes."
- "Community funds should seek to improve the social, economic and environmental wellbeing of the community and deliver benefits that endure over the long term."
- "if developers deviate from this guidance, they should explain the reasons for this to communities."

However, we strongly disagree with the statement on p. 7 of the UK Government guidance: "Developers set out the governance and decision-making arrangements." It should be the relevant community organisation(s) that set out the governance and decision-making arrangements.

Guidance on how community benefits should be used

More guidance could be provided from the Scottish Government on balancing investment in longer-term, strategic priorities (e.g. community-owned renewables or shared ownership, which will not generate a net 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. Funding must be available for community groups to develop their plans.

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 and increase capabilities and resilience within the community, which can continue once the community benefit funds have stopped.

Supporting local priorities

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. However, this nationally-coordinated fund would be available for communities to address local priorities, not regional or national priorities.

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, regional or national funds should not fund existing statutory activities, e.g. Council core services. 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.

Meeting the needs and wishes of the community

Other measures that would help communities use their community benefits in ways that meet the needs and wishes of the community 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.

Good practice examples

Glenkens & District Trust are set up to resource community development in the surrounding areas using community benefit funding from wind developments. Their board is made up of people nominated from member community councils and other independent trustees, and they have developed a community action plan to determine their funding priorities.

Isle of Gigha Heritage Trust and its subsidiaries manage turbines on the island alongside other assets with the profits being used to support the activities of the trust and managed by a board elected by members.

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. Further, they should not be allowed to fall from the level they were at before the status change, even if the development is sold to a different operator.

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.

If the developer still manages the local community benefit fund, then control and governance of the fund should be handed to a local community organisation when the project's status changes, if a suitable community organisation exists with the capacity and governance structures in place to manage the fund (in conjunction with a specialist fund management body if needed). This should involve wholly devolving spending decisions to a board of community representatives. (Please see answers to onshore questions 3-4 for recommendations on how such a community organisation should be identified or created).

At the point of project status change, a Community Benefit Champion should be allocated to the community (see answer to question 10 below).

Further, 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 question 10 below 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 can be a way of pooling community capacity to take on the administrative burden of managing a fund. However, democratic and transparent governance of any collective arrangement is essential.

Direction provided by the Good Practice Principles

The Good Practice Principles 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.

Each community council area should have a representative on the panel/Board. This could be a member of the community council itself, or a development trust or another local community anchor.

Difficulties could arise when small communities in an area are not adequately represented by an active community council, development trust or other anchor organisation so mechanisms should be in place to democratically elect someone to represent their community in this eventuality. We are also aware that the quality of participative democracy varies from community to community and organisation to organisation, so as far as it relates to our members, we will continue to support them to improve their democratic practices.

There may be instances where one or more developers take the lead in coordinating community benefit funds (e.g. the funds linked to SSE Renewables Achany and RWE Rosehall wind farms in Sutherland). In such cases, meaningful community consultation and engagement is essential to ensure that this approach is desired and required, and will increase benefit for all involved communities.

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.

Working with the UK Government to require reporting

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.

We encourage the Scottish Government to also 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. A more comprehensive, up to date, Government-managed register 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.

Changes to the Good Practice Principles to improve reporting

The current Good Practice Principles for onshore renewables state that developers are 'requested' to submit details to the Scottish Register of Community Benefits from Renewables. This wording should be changed to 'expected', and should apply to offshore as well as onshore renewables.

Changes to the Community Benefits Register

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 which one), 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.

The map part of the register should have added functionality. It should display 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 should 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.

Periodic evaluations of the state of community benefits in Scotland

To assess the state of community benefits in Scotland, the Scottish Government should undertake to periodically assess and publish statistics on:

- The percent of clean energy projects in Scotland that are providing community benefit packages
- The percent of those that align with the Good Practice Principles, including the benchmark values
- The number of communities near to clean energy developments that are NOT in receipt of community benefits

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.

Support for community ownership to maximise community benefits

The best way for communities to benefit from renewables developments is for community organisations to own the developments, wholly or through shared ownership. Research shows that community benefits from community-owned wind turbines provide 34 times more benefit on average to the local community: https://www.aquatera.co.uk/news/community-owned-wind-farms-have-paid-their-communities-34-times-more-than-commercial-counterparts Even with the first subsidy-free community owned turbine, developed by Radio City Association, it will return more to the local community than the 42 commercially-owned turbines in the vicinity: https://localenergy.scot/wp-content/uploads/2025/02/Radio-City.pdf

Therefore, increased support for community ownership, shared ownership and repowering existing community-owned wind turbines is of the utmost importance, to fulfil Scottish Government ambitions around community benefits from net zero, community wealth building and community empowerment.

Capacity-building support and Community Benefit Champions

Capacity building support for communities is essential. This should begin at the planning stage, if not before.

Community organisations must be supported and funded to develop or feed into local community actions plans (Community Action Plans, Area Partnership Plans, Local Place Plans) if they do not already exist, and then to set objectives for their community benefit funds that align with local community plans. (Please see question 6 above.)

By enabling true community-led community wealth building, this would help achieve national priorities on Community Wealth Building, tackling depopulation, poverty, health, local economies and town centre regeneration. By ensuring that communities have a meaningful stake in the energy transition, this will also work towards national priorities on climate change and a just transition.

In order to help communities secure community benefits at 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:

- Be located in communities where the opportunity to negotiate community benefits is soon to arise;
- Reach out to communities that are impacted or associated with each development, and support them to work together to achieve the best possible outcome;
- Directly engage in negotiations with developers, to maximise community benefits from energy projects in development'
- 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.

Community Benefit Champions would be the first port of call for communities to get advice and support on securing community benefits. Community members have told us that the large number of different organisations and advice services is overwhelming, and they would like as much as possible to be covered by one impartial organisation or service.

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.

Awareness-raising about community benefits

A broader awareness-raising campaign about community benefits would also help more communities to secure fair arrangements when the opportunity arises. A top-down, national campaign may not be well received given that some people interpret community benefits as 'bribes' or 'compensation' for accepting developments. It may be more effective to fund community energy groups and representative bodies (e.g. Community Energy Scotland, Energy Learning Network) to lead more grassroots, local campaigns, tailored to specific groups of communities.

Periodic evaluations of the state of community benefits in Scotland

The Scottish Government should undertake to periodically assess and publish statistics on:

- The percent of clean energy projects in Scotland that are providing community benefit packages
- The percent of those that align with the Good Practice Principles, including the benchmark values
- The number of communities near to clean energy developments that are NOT in receipt of community benefits

Guidance on how to maximise the impact of community benefit payments

This is repeated from Question 6 because this guidance may be more appropriate as separate guidance for communities, rather than (or in addition to) including it in the Good Practice Principles.

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. Guidance could be provided how communities can 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.

The Scottish Government could draw clearer links between Community Benefits and the Community Asset Transfer process, for example highlighting how community groups could choose to use their community benefit payments to repair and retrofit buildings which they acquire through asset transfer (or for the legal and technical costs of taking on land, buildings or repowering renewables).

Establishing a Scottish Community Wealth Fund

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.

Increased transparency on commerciality of projects

A key barrier to communities being able to negotiate fair and proportionate community benefit arrangements is the lack of transparency and available data on renewables and storage developers' finances. Greater transparency around operating margins and profit margins, all forms of revenue and costs, for each developer and any parent companies, would enable better assessment of the proporitionality of both community benefit benchmark values and each local community benefit package.

Helping developers see the benefits for their projects

There is an important role for the Scottish Government to take on engaging developers and helping them see how fair and proportionate community benefits and shared ownership can benefit their projects and their businesses, despite the upfront financial cost. The benefits can include enhanced reputation (locally and nationally), improved social licence for new developments, faster time in planning and reduced costs for appeals (see Netherlands reference below), and increased finance available for the project (through shared ownership).

The Scottish Government should encourage and incentivise developers to look for investment from local communities, rather than rely solely on private shareholder investment and foreign direct investment, which is at odds with the Community Wealth Building agenda.

The Netherlands provides an instructive example of how shared ownership benefits developers. To counter growing opposition to turbines which were posing a serious threat to their wind industry, the Government introduced the Klimaatakkord, which added shared ownership to the national regulatory framework. They also set out a legislative target of 50% of onshore wind and solar to be local citizen-owned by 2030. A study found that windfarms with a higher percentage of cooperative ownership led to a faster planning and development process, and fewer legal objections and appeals:
https://www.sciencedirect.com/science/article/pii/S2214629624004821?ref=pdf_download&fr=RR-2&rr=92362f331a0fb331

If community benefits and community/shared ownership are made material considerations for planning, then offering these at the good practice level would also result in increased approval rate for new projects.

Incentivising developers to offer community benefit and shared ownership at good practice levels

Some developers will need additional incentives or conditionality in order to align with good practice, in particular 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 public landowners not granting 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), AND provides community benefits at at least the good practice benchmark level.

We recommend that the Scottish Government issue planning guidance to add community ownership/shared ownership and community benefits to the list of material considerations for new and repowering energy developments. (We are aware that Scottish Government have maintained a separate between community benefits and the planning system, so that communities do not worry that engaging in community benefit discussions would necessarily be seen as endorsing a planning application, should the community or individuals wish to object to the application. That point should be maintained; however that is separate from the issue of making ownership a material consideration.)

Local Energy Scotland or a similar organisation could publish a 'leaderboard' of project developers and operators who provide community benefit and shared ownership which aligns with the Good Practice Principles, on the highest proportion of their projects in Scotland. This could be updated on a yearly basis. The good publicity for the leaders should incentivise developers to align with or exceed the good practice.

Scottish Government committing to increasing shared ownership

The Scottish Government has had an ambition since 2017 that half of all new wind projects would be in shared ownership, but we are nowhere near that target, with just 0.2% of onshore wind in community shared ownership. The guidance alone is not working.

We understand that 60% of onshore wind projects in 2023 offered community shared ownership. However, it's imperative that developers are offering practical routes to shared ownership, and that communities are supported to take these up (please see answer to question 12 in the offshore section for recommendations).

More focus must be put on fulfilling the commitment in the Onshore Wind Sector Deal: "The Sector, Government and other relevant stakeholders will collaborate to develop practical approaches to support and encourage community shared ownership models to assist developers, funders, local government and communities to engage in these opportunities, publishing a framework by the end of 2024." That framework must be informed by meaningful engagement with the community sector.

Incentivising developers to offer shared ownership alongside community benefits (as suggested above) would help communities make the most of their community benefit payments, once the community pays off any loans for shared ownership. 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 another private development (e.g. the community around Crossdykes windfarm who are considering using the profit they made on shares invested in Muirhall's development to invest in Hopsrig and Loganhead windfarms) or by developing their own.

For example, Fintry Development Trust have £0.5m coming in each year from their 7% ownership stake in Earlsburn Wind Farm. This gets reinvested in projects that benefit the local community: they've provided grants to help with fuel poverty and to help insulate homes and install clean heating system, to reduce the impact of high energy bills for the long-term.

Community Energy Scotland

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.

100% of community organisations and community members that attended our two webinars voted that the Good Practice Principles should continue to recommend a benchmark value for onshore community benefits.

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.

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 question 3 above). 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.

Ensuring the minimum floor for local community benefit payments is fair for different technologies

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 commmercial 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.

Accounting for inflation

The minimum payment benchmark should be index linked so that it rises in line with inflation, and the figure should be published each year by the Scottish Government. The previous recommendation of £5000/MW remained static for 15 years, during which time it devalued significantly due to inflation. (There is also an argument that the benchmark should have increased due to energy price increases).

In addition, the minimum payment floor for each project should be index-linked so that it increases in line with inflation over the course of the project.

Why linking community benefits to revenue is the fairest method

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. Linking community benefits to revenue also accounts for constraint payments, which are not captured by providing a sum per MW of instaleld capacity.

Affordability for developers and sharing the wealth with host communities and country

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. In this context we believe that our above recommendations are reasonable, particularly because there is a growing need to ensure that local communities welcome or accept clean energy developments in their area, in order for developers to operate and to meet Clean Power and net zero targets.

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,** while still maintaining viable operating margins to secure investment, if developers are given sufficient time to plan ahead for these changes. For example, Scottish Power's parent company Iberdrola recently posted a 17% increase in profits, and increased shareholder dividends by 15%, yet only 6 out of the 31 Scottish Power Renewables' onshore developments listed on the Community Benefits Register provide community benefits at the current good practice benchmark for onshore developments: https://localenergy.scot/projects-overview/projects-index/?project_type=cb_offered&project_stage=&local_authority_id=&area_of_benefit-la=&area_of_benefit-cc=&colo=&project_owner= Similarly, SSE Renewables provides community benefit at the onshore benchmark level for only 7 out of 23 onshore projects listed on the Community Benefits Register, while their profit and dividends were slightly higher in the financial year ending March 2024 than the previous year. We recognise that the financial context will be different for smaller developers, but some of these have demonstrated that it is possible to offer community benefits at at least the good practice benchmark level, including OnPath and Muirhall (who also offered and enabled the take up of community shared ownership).

More of the wealth being generated by clean energy could be flowing to Scottish communities which host the infrastructure, and retained within Scotland, if the Scottish Government makes clear, in as strong terms as possible, that **shared ownership offers and community benefit at the (updated) benchmark levels are part of the framework of operating in Scotland,** and should be included on the balance sheet.

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 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.)
https://www.poverty.ac.uk/sites/default/files/attachments/PSE-Report-Scotland-urban-rural-poverty-March-2016.pdf

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. Any negative financial impact on developers will be minimised by calculating community benefit payments as a proportion of revenue (with a minimum floor) instead of fixed sum per Megawatt.

If the Good Practice Principles result in increased community shared ownership, this could have a positive impact on developers by encouraging more investment in their projects.

About Us

Community Energy Scotland is a member-led organisation that works to increase community resilience and enable our members to play a significant role in a just energy transition. Our member community energy groups create locally controlled, decentralised solutions for meeting local energy needs. They are 'more than profit' groups that organise collective and locally-driven action to:

1. Generate renewable electricity or renewable heat,
2. Reduce energy or fossil fuel demand (e.g. through retrofitting or EV car clubs)
3. Positively impact energy systems e.g. demand side management, load balancing, flexibility or storage projects.

We provide technical assistance, training and knowledge-sharing forums, and we deliver projects including the Scottish Government-funded Carbon Neutral Islands project and the Islands Centre for Net Zero, and the UK-wide Energy Learning Network.

This response has been coordinated with the Scottish Community Coalition on Energy. In preparing our response to this consultation, we held two webinars for community organisations and indviduals, including but not limited to members of Community Energy Scotland, Community Land Scotland, Development Trust Association Scotland, Scottish Community Alliance and a number of Climate Hubs. Attendees' feedback has helped shape our response.

We previously undertook research to write a paper on New Standards for Community Benefits: https://communityenergyscotland.org.uk/wp-content/uploads/2025/01/New-Standards-for-Community-Benefit-Funds-Dec-2024.pdf , and to contribute to a report commissioned by Shetland Island Council on principles for their community benefit negotiations.