A Fair Energy Deal for Scotland:
New standards for Community Benefit funds from clean power developments

This paper was revised in June 2025 with updated recommendations.

Executive Summary

Community benefit schemes are an established part of onshore wind developments in Scotland, and are increasingly becoming the norm in other types of onshore and offshore energy projects. They can supercharge community wealth building, but only if community recipients are supported, upskilled and resourced to negotiate a fair deal with developers and manage the resources secured in an effective and equitable way.

We recommend that clean power developments contribute 5% of gross revenue to communities, through local community benefit funds plus contributions to a Scottish Community Wealth Fund. We recommend different percentage splits for onshore vs offshore (see p. 3). The local community benefit payments should be reinforced by a minimum floor level of £s per megawatt per year. For onshore wind the floor should be £7.5k/MW, which is the level that the current benchmark of £5,000/MW would be at if it had increased in line with inflation since it was set in 2010. Different floors should be set for other technologies, given differing levels of expected revenue.

In order to maximise value, good practice community benefit funds should be:

- Reliable, regular and predictable over a sustained period (e.g. project lifetime)
- Proportionate & fair when considering the size & nature of the project
- Conditionless, with total control over spending decided by the community, through democratically accountable governance structures, for the mutual benefit of the whole community.

Recommendations

1. **UK Government to require energy developers to provide Community Benefit Funds**
2. **UK Government to require energy developers to report on Community Benefit Funds**
3. **An ambitious update of Scottish Government Good Practice Guidelines for Community Benefits**
4. **Scottish Government to create a Community Benefits Champion team**
5. **Capacity building funding for communities to take advantage of Community Benefit opportunities**
6. **Establish a Scottish Community Wealth Fund to deliver equitable distribution of benefits across Scotland**

Introduction

As the renewables sector scales up and the grid is built out, there is an urgent need to ensure that public benefit is maximised and that communities across Scotland receive a fair share of the wealth being generated by our natural resources. This paper sets out good practice for Community Benefit Funds, and makes recommendations for both the UK and Scottish Governments, to ensure that no community is left behind through the green energy transition.

Community benefit schemes are an established part of onshore wind developments in Scotland, and are increasingly becoming the norm in other types of onshore and offshore energy developments. The Scottish Government first published Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments in 2014, and the Scottish Energy Strategy (2017) set the expectation that energy developers should continue to offer meaningful community benefits in line with the Good Practice Principles.

This paper solely addresses **Community Benefit Funds (CBFs)**: developer-led schemes that provide financial benefits to the local community. Renewable energy projects can bring wider local benefits (sometimes called 'social value') including job creation, investment in the local economy, upskilling of the local workforce, and/or housing and infrastructure upgrades. These in-kind benefits are good practice and align with other policy expectations (e.g. Fair Work). While valuable, they should be seen as **separate and additional** to the provision of community benefit funds.

Community Benefits for a Just Transition

In our Fair Energy Deal for Scotland paper we called for more of the vast financial gains being generated from our natural resources of wind, water and sun to be captured and retained in Scotland, and shared equitably and fairly across our communities as a common good. This is essential for a Just Transition and a Fair Energy Deal for Scotland.

There are many ways in which communities can benefit from hosting renewable energy. Community-owned renewables and shared ownership arrangements provide the strongest benefits, as outlined in previous papers.[1] However there can be situations where this is not achievable or even desired by the community. In those cases, CBFs can provide the community with some real ownership over the *impact* of the development. The revenue can increase the resilience of the community and improve its ability to act and respond to unforeseen challenges. When community organisations have full control over how to allocate CBFs, this enables communities to build capacity, invest in local businesses and fund projects that create long-term community wealth.

Community benefits can also help to encourage acceptance of the development, increase the developer's social value contribution, and create a wider 'social licence' for renewables more broadly. A study of solar farms in the Netherlands showed that "community acceptance of solar farm developments increases when the offered community benefits outweigh the (perceived) negative externalities of the development."[2]

Good practice for Community Benefit Funds

In order to maximise value, good practice community benefit payments should be:

- Reliable, regular and predictable over a sustained period (e.g. project lifetime)
- Proportionate & fair when considering the size & nature of the project
- Conditionless, with total control over spending decided by the community, through democratically accountable governance structures, for the mutual benefit of the whole community.

Good practice CBF arrangements give communities high levels of ownership and control over the funds.[3] It is crucial to involve citizens 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 CBF will meet the actual needs of the local community, which studies show is crucial for increasing community acceptance of the development.[3] Referring to CBFs as 'gifts', 'philanthropy' or 'social responsibility' can disempower communities; instead a framing of 'contracts' and 'investment' is more appropriate and recognises the co-dependency between thriving communities and Scotland's energy future.[4]

In Scotland up until now, CBFs have mainly been paid to local community groups who are directly impacted by installations or visual impacts ('host communities'). Local communities should be prioritised, but there are also examples of benefits being made available for projects in more distant communities (e.g. SSEN's Regional Benefit Fund or Ireland's Community Benefits) or supporting a wider region as in Germany and Denmark (although their funds are distributed by muncipalities).

CBFs are distinct from compensation or disturbance payments. Compensation should be paid in addition to CBFs in cases such as when local residents suffer loss of earnings due to the installation.

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[1] See our papers on 100% community energy and shared ownership, or our full paper on a Fair Energy Deal for Scotland.
[2] *The role of community benefits in community acceptance of multifunctional solar farms in the Netherlands* (2022)
[3] For more detail see our paper A Fair Energy Deal for Scotland (pp. 8-9).
[4] Attendees at a recent RSE roundtable event agreed. To request a copy of the report, please email SWebb@therse.org.uk.

Recommendations for UK Government to deliver maximum impact from community benefits

1. UK Government to require energy developers to provide Community Benefit Funds

The power to require developers to provide Community Benefit Funds, through legislation, is reserved to the UK Government.[5] The Scottish Government has written to the UK Government urging them to "explore mandating community benefits for onshore energy developments." The UK Government has published guidance on community benefits from transmission infrastructure. This is a welcome first step, but the UK Government should go further and *require* CBF contributions from all onshore and offshore projects, including transmission and storage.

> The UK Government should set a minimum level of community benefit which each development must meet or exceed. We recommend that this be calculated as a **percentage of project revenue.**
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> Our recommendations are:
> - Onshore technologies: 4% of project revenue
> - Offshore wind (floating/fixed): 1% project revenue
> - Tidal & other offshore: contributions to start once business models are more developed
> - These payments are separate from additional payments into a Scottish Community Wealth Fund (see section 6 below), which would bring the total contribution to 5% of project revenue.
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> For each technology there should be a **'floor' (minimum payment level)** of £X per megawatt per year. This backstop would kick in when the minimum payment is not met by the percentage payment alone:
> - Onshore wind: £7.5k/MW/year
> - Offshore wind: £2.5k/MW/year
> - Other technologies: the floor should be set taking into account level of revenue from each technology.
>
> The £7.5k/MW floor for onshore wind reflects the £5,000/MW benchmark first set in 2010, increased in line with inflation using the Bank of England inflation calculator with CPI data.
>
> The floor for energy storage (and any CCuS projects) should use a different method to calculate the floor (not sum per Megawatt).

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 can form a significant part of wind farm income but are not captured by providing a sum per MW of installed capacity or sum per MWh generated. With constraint payments in Scotland over £390 million in 2024, it seems only fair that local communities should receive a small proportion of these. Requiring developers to ringfence 5% of these payments would lever an additional £19 million into local communities across Scotland.

This model would also mirror existing practice for land leases ('base and ramp', or fixed and variable elements) paid by developers, and would require developers to pay less in the early years of an installation when their project is less profitable.

The floor should be 'double-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 with inflation, so that all projects are paying community benefits on the same basis.

Community benefit from transmission should be calculated according to the new UK Government Guidance, but this should become a legal requirement.

The requirement to enter into a Community Benefit arrangement should apply to all developer-led energy projects, including those that offer shared ownership.

2. UK Government to require energy developers to report on Community Benefit Funds

In order to improve transparency around CBFs, developers should be required to report on the funds they provide. The Scottish Government has already

[5] The Scottish Government has stated clearly that they do not have legislative powers to change the criteria for granting consents for energy developments, e.g. to reject those that do not provide CBFs or offer shared ownership.

committed to creating a national register of community benefit and shared ownership, and to collaborate with stakeholders to update this on an annual basis, but only the UK Government has the legislative power to mandate reporting. The UK should follow the example set by Ireland where the national Sustainable Energy Authority maintains the Community Benefit Fund National Register. This 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.

Local Energy Scotland already maintains a Community Benefits Register for Scotland, but not all developers have provided information, and the data gathered is not sufficient to judge whether good practice principles are being followed or commitments being met. The new UK wide register should record developer income from generation, as well as benefits paid. In-kind benefits such as local job creation should continue to be reported separately from direct financial benefits, to avoid conflation.

Recommendations for Scottish Government to deliver maximum impact from community benefits

3. An ambitious update of Scottish Government Good Practice Principles for Community Benefits

The Scottish Government led the way by introducing Good Practice Principles for Community Benefits from onshore renewables in 2014. These principles have helped normalise CBFs as an integral aspect of the sector, supported community wealth building across Scotland, and standardised a good practice benchmark of £5,000/MW per year (although this is often not met in practice). However these principles have not been reviewed since 2018, and are in urgent need of updating to avoid further missed opportunities for maximising social impact, given improvements to technology, revenue and financial models, and ongoing inflation.

In parallel, the Scottish Government should develop ambitious Good Practice Principles for Community Benefits from offshore renewables. Despite consulting on offshore Good Practice Principles in 2018, these were never finalised. The absence of firm guidelines puts communities in a weaker position when negotiating community benefits packages with offshore developers, when the odds are already stacked against them in terms of time, specialist expertise and money. It also creates uncertainty for industry when budgeting for new developments. In autumn 2024 the Scottish Government reconvened a steering group to review the proposed principles, ahead of a public consultation. These Principles should be published no later than spring 2025.

What should the Good Practice Principles include?

- An increased *benchmark figure* for onshore wind, and new benchmarks for other technologies **(see box on p. 3)**
- Best practice *method* for calculating fair benefit payments
- Guidance on what '*maximising*' community benefit means
- Ensure *community participation* in CBF design and decisionmaking

Our proposed figures for good practice benchmarks for Scotland are the same as our proposed figures for mandatory, UK-wide community benefits (see recommendation 1). Whether or not the UK Government makes community benefits mandatory at a certain level, the Scottish Government should ensure that Scottish communities are receiving a fair deal from our nation's abundant renewable energy, by setting out good practice for Scotland.

The new principles should state that the community must be able to use the revenue as initial funding for projects that create long-term income streams and/or increase capabilities (e.g. investing in community-owned buildings, land or development officers). This differs from earlier UK Government proposals for time-limited reductions in fuel bills and payments for one-off projects, neither of which are good practice in terms of community benefits.[6]

It should also be mandatory for developers to meaningfully engage with the community about the benefit arrangement, and developers must be required to allow communities to have control over how the benefit payments are spent. As Scotland's Just Transition Commission asserts, the "fundamental principle" is that "these funds belong to local people and therefore it is for local people to decide how those resources are allocated.

[6] For more detail see our paper A Fair Energy Deal for Scotland (pp. 8-9).

The revised Good Practice Principles for Community Benefits from onshore and offshore renewables should include the possibility of paying a portion of benefits into a future Scottish Community Wealth Fund (see #6 below).

The revised Good Practice Principles should explain what 'maximising' community benefit means, in response to concerns from developers around the use of this term in the National Planning Framework 4 policy 11c (Energy), and they should consider how CBFs interact with additional in-kind benefits. Further, the Principles should be explicit about the importance of community participation in the design and governance of the CBF. The Irish Government's Good Practice Principles Handbook for CBFs provides a model for this, setting out the need to ensure community participation in setting the fund's strategy and in fund decision-making, to maximise the benefits. Further, the *process* of reviewing and updating the Good Practice Principles must involve meaningful input from the community energy sector and an evaluation of progress against previously agreed ambitions.

Case study: Spiorad na Mara, Isle of Lewis

In August 2024, a proposed windfarm off the coast of the Isle of Lewis committed to delivering £4.5m per annum into a CBF – equivalent to £5000/MW/year for the proposed development.

This agreement was reached after more than two years of discussions between the developer, three community-run estates and one privately owned estate. Extensive and meaningful consultation will take place with communities and stakeholders across the island to determine how the fund will operate.

The guidance should emphasise that when a development is 'repowered' or put up for sale, there is an expectation that existing CBFs will be reviewed and as a minimum brought up to current good practice. It should also reflect the commitments made in the Onshore Wind Sector Deal, including ensuring that CBF arrangements are retained (or improved to meet current guidance) upon sale of the development.

4. Scottish Government to create a Community Benefits Champion team

The First Minister has set out the Scottish Government's aim to maximise the social as well as the economic benefit from renewables developments in Scotland, and the Government has expressed a desire to support communities to secure fair CBF outcomes.[7] Several local authorities are actively seeking to do the same, including Highland, Shetland, Orkney and Moray Councils; the latter has even issued planning guidance on maximising impact, including community socio economic benefits. However, many communities are under-resourced in terms of time, specialist knowledge, money and resource, and there is a power imbalance between them and developers. As the Just Transition Commission states, there is a need to "ensure local authorities and communities have the ability to take key decisions and the capacity to effectively safeguard the retention of long term social and economic value," particularly given the sizeable transmission infrastructure investments expected in the near future.

To help secure CBFs at the good practice level and ensure that these benefits are shared equitably across communities, the Scottish Government should create (or fund) Community Benefits Champion posts that would:

- Directly engage in negotiations with developers, to maximise CBFs from energy projects in development. 'Champions' could be placed in communities while negotiations are underway.
- 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. This support would go beyond the current CARES scheme; the posts and resource could be funded by the Scottish Community Wealth Fund (see recommendation 6).

[7] NPF4 Policy 11 (Energy) (c) states that "Development proposals will only be supported where they maximise net economic impact, including local and community socio-economic benefits such as employment, associated business and supply chain opportunities."

5. Capacity building funding for communities to take advantage of Community Benefit opportunities

The proposed Community Benefits Champion team would provide an interim rapid response to current community benefit opportunities to ensure they are not missed. However, there is also an imperative to enable communities to act for themselves, both now and in the future. Experience in the sector has shown that it is not enough just to 'offer' an opportunity to potential recipients without first ensuring that they have credible capacity to actually take advantage of the offer. Only those communities that include people with sufficient free time and extensive experience of commercial negotiations, estate management and renewable energy development are currently in a strong position to negotiate a fair CBF arrangement with developers. If this situation continues it will entrench existing inequalities. More communities must be supported, upskilled and resourced to engage with developers in a credible manner, and to effectively manage and distribute the new resources secured through these negotiations.

The UK Energy Minister has stated that Great British Energy will have a key role to play in supporting communities, including through capacity building for community ownership. We would encourage the UK Government to make additional funding available to support organisations like Community Energy Scotland and for Community Development Officers, to help communities to self-organise in order to exploit Community Benefit opportunities, particularly where community ownership or shared ownership is not a viable option. **The Scottish Government should ensure that capacity-building funding is made available to communities as a 'menu of options'**, so they can access funds that meet their specific needs and circumstances. Communities situated near planned developments could be prioritised for funding.

6. Establish a Scottish Community Wealth Fund to deliver equitable distribution of benefits across Scotland

Our previous paper outlines our call for the Scottish Government to establish a Scottish Community Wealth Fund, to support communities to buy assets that will create and sustain long-term community wealth. 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 to communities situated near to renewables developments. Extending this opportunity to urban communities and across Scotland would help fulfil the Fairer Scotland duty on Ministers and Local Authorities, which requires consideration of how they can reduce inequalities of outcome where people are experiencing significant socio-economic disadvantage. It also recognises that we are all funding the energy transition and transmission build out through our energy bills, and we all deserve a share of the financial wealth that is being consolidated through this process.

This would NOT require Scottish Government investment. The Fund would be seeded by developer contributions which would be separate and additional to local community benefit payments. We envision that funds would principally come from the planned offshore wind and transmission upgrade developments, but would likely be added to by new or repowering onshore renewables and storage developments. The Fund would grow over time with ongoing contributions from developers alongside philanthropic giving and returns on Fund investment.

We recommend that developers who want to demonstrate best practice contribute the following to the Scottish Community Wealth Fund, *in addition to* local community benefit payments:

- Offshore wind: 4% of gross project revenue
- Onshore wind, solar, hydro: 1% of gross project revenue
- Transmission: Sum per kilometer of cable or substation (amounts to be determined).

Local community benefit arrangements would not be affected, unless all parties agreed to migrate to the Fund to reduce administration.

Decision-making on how this fund is disbursed to local communities would be made by an independent board with community representation (not by the Scottish Government or local government). For more information please see the dedicated paper.

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