Community Energy Scotland

Dear members,

Call for Views on Community Benefits and Shared Ownership for Low Carbon Energy Infrastructure

The UK Government currently has a Call for Views on community benefits and shared ownership for low carbon energy infrastructure and we are encouraging as many of our members as possible to respond as this could have huge impacts for the community energy sector. The full working document can be found here.

To respond, fill in this online form. **There is no need to answer every question.** On the following pages, we have highlighted a few of the questions that you may want to prioritise, and key points that we will be making. If you agree, we would encourage you to include these points in your own words (please don't copy and paste as this is seen to devalue responses).

We have been advised by the UK Government that they are keen to have as many real-life examples as possible to shape this policy – **so please do use this opportunity to tell stories and give examples** of how shared ownership and community benefits have had a positive impact on individuals or groups, how they have shaped your community for the better, or even how they have saved the taxpayer money! Please also share these with us so that we can include them in our response.

In addition to sending your own response, you can also directly comment on or add input into Community Energy Scotland's joint response with Community Energy England and Community Energy Wales by commenting on this working document. All ideas, comments and case studies are gratefully received.

If you want to discuss further, please don't hesitate to contact me: zoe.holliday@communityenergy.scot.

Kind regards,

Zoe Holliday
CEO
Community Energy Scotland

1. **Do you agree with the principle that developers must provide community benefit funds? Please explain why/why not.**

In this response we will be saying that we agree that it should be mandatory for developers to provide community benefits funds, for the reasons that are set out in the working paper, namely:

- It would guarantee that communities get to actively share in the social and economic benefits of the UK's energy transition.
- Research has shown that community benefits increase the acceptability of energy infrastructure being built close to communities, so this will accelerate rollout of renewable technologies.
- It is important to provide a level playing field for developers and communities.
- A voluntary approach is not working – the Scottish community benefits register shows that a majority of reported projects do not pay the current £5k/MW/year benchmark.

In this section, if you have experiences of receiving community benefits, **we would strongly recommend that you give detailed examples/stories of**:

- Positive impacts– give concrete examples of projects you have taken forward and what difference that has made to local individuals or groups. That might include positive impacts on wellbeing and community cohesion, skills and jobs, community resilience or simply cost effectiveness of community led projects.
- Any barriers you have faced with e.g. community benefits schemes with too many restrictions set by the developers that hinder your ability to address local needs.

14. Do you have a preference for either of the proposed methods for calculating the level of contribution payable in respect of energy generating stations (i.e. by reference to either installed capacity or generation output)? Are there any further considerations relating to either option which require exploration?

The working paper only sets out two possible options for calculating community benefits - £/MW capacity/year or £/MWh generated. We will be arguing strongly in answer to this question that instead, community benefits should be calculated as a share of revenue. The reasons for this are:

- This practice is already standard within land leases
- This would more fairly reflect that the same size technology performs differently in different locations and would also account for outages, curtailment payments (which can represent significant income for developers), and varying wholesale prices.

If you agree, please do flag this 'third approach' in your response.

Our recommendations:

- **Onshore:** 4% of overall revenue to local community funds, plus an additional and separate 1% to be contributed to a Scottish, English or Welsh community wealth funds (dependent on project location).
- **Offshore:** 1% of overall revenue to be contributed to local community funds plus an additional and separate commitment of 4% to devolved community wealth funds

In addition, a minimum 'floor' payment level should be set for each technology based on MW capacity.

Our proposal for a Scottish Community Wealth Fund is for a fund that allows any community in the country to apply for funding to develop hyper local revenue-earning assets. That might be a community energy project or any other community business. This fund would be open both to communities located nearby private developments (that we would also expect to earn direct community benefits streams), as well as those who are not, to ensure that all communities across Scotland benefit from the green energy transition.

34 - Are you aware of any evidence to support other benefits of shared ownership for either communities and/or developers?

If your community has experience of shared ownership or community-owned energy projects (or know of other examples), please provide concrete examples/stories about:

- How community involvement and authentic community consultation/engagement ensured that the project was planned in a way that was appropriate for the community and helped with community buy-in to the project's aims.
- How this community buy-in helped the project to progress more quickly – note where there have been letters of support from local community groups, or where the number of planning objections has been lower for example. Make the point that this is beneficial to developers.
- How the community has been able to access funding sources that a solely privately-owned development would not be able to, e.g. CARES funding, community shares and bonds. If the amount that you raised, or the speed that you raised it in, was impressive, make sure you mention this!
- The wider social benefits that have been achieved for your community – again, give concrete examples of people who have gained new skills, been able to work locally, of valuable local services that have remained open, etc.
- The cost effectiveness of any community projects you have taken forward.
- Give concrete numbers of how much financial benefit your community project has had for the local economy, compared to the good practice community benefits benchmark of £5000/MW/year.

40. Does a particular barrier represent more of a barrier to shared ownership than others? If so, which and how?
AND
41. What actions can the government take to address these barriers and promote further uptake of shared ownership, particularly in England?

Feel free to ignore the 'particularly in England' part of this question!

Currently our answer to q 40 focuses on financing of shared ownership and the need for tailored financial products to support communities to be able to invest, particularly where they do not have history of taking forward large projects, and/or where the shared ownership model is a revenue share and the community doesn't own an asset that finance can be taken out against.

Please let us know of other significant barriers that you face to shared ownership, that you would like us to focus on.

Our proposal (in answer to q 41):

- GB Energy should secure a 20% community-owned stake in private developments at the earliest stage, providing upfront finance to avoid project delays and maximise the value of shared ownership by investing early at construction or pre-construction phase.
- Umbrella community energy organisations like Community Energy Scotland would help identify and build the capacity of suitable community groups to take these stakes. These community groups would then sign shared ownership with the developer and GB Energy's investment would be transformed into loan agreements for the groups, who would repay the loans at an affordable rate into a revolving fund.
- This approach would de-risk shared ownership for all parties, facilitate rapid uptake and provide insights for developers, communities, and government.

You can read more about this proposal (and other suggestions about how the UK Government can accelerate uptake of shared ownership) in our recent shared ownership briefing note.

43. If shared ownership is expanded, should regulations be made in accordance with the existing provisions relating to the 'Community Electricity Right' in the 2015 Act? If you consider that amendments should be made to the scope of the existing provisions, what changes should be made and why?

The existing primary legislation should be amended as follows:

- Currently, the Secretary of State can only set up to 5% as a minimum stake that private developers must *offer*. This must be amended, so that the regulations can set a minimum stake of 20% that should be *offered* to community energy groups. Any individual community organisation or group of organisations can in turn decide what percentage they wish to invest. Historically, where a minimum standard has been mandated, private developers have not exceeded this, so the minimum benchmark should be more ambitious.
- Currently, the legislation makes shared ownership available only to communities that directly host or are adjacent to any energy projects. This should be amended so that any communities can invest in shared ownership – including for offshore projects, for which developers could potentially try to argue that there are no 'host' or 'adjacent' communities. Whilst we would expect host or nearby communities to get priority for shared ownership offers, if they decide not to take them up, these opportunities should be open to communities across Scotland to invest, to ensure that no opportunities are lost, and that all communities have access to shared ownership opportunities.
- Currently the legislation defines community as a 'geographical area' – again, the definition of community should be broadened to include those that are not based solely on geography, but share a common characteristic or interest within a geographical area.
- Currently, the primary legislation has provisions both for groups and for individuals who wish to exercise the right to buy a percentage of a project. **The secondary right to buy legislation should *only* be applied to community organisations with an asset lock**. *This legislation should not be used to enable wealthy individuals to directly invest in private developments and keep the profits for themselves.* Democratic finance options and share offers to fund the community stake should be encouraged, but community share offers alone do not make a project community energy unless profits are ringfenced and reinvested in the community.

Other questions you may wish to answer:

29. Do you think a case-by-case approach to defining the community is appropriate? Are there any other bodies or groups not listed above that should be part of the engagement process for determining eligibility?

30. Do you agree that capacity building will be required in communities? What do you believe this should look like and who do you believe is best equipped to carry this out? Please provide reasons for your answers.

33. Are you aware of evidence which suggests that shared ownership has or has not delivered the benefits referred to above?

37. Do certain communities face barriers to shared ownership more so than others? If so, how and/or why?

38. How can government ensure that low-income communities, or those experiencing higher rates of fuel poverty, are able to engage with shared ownership offers?

44. If shared ownership is expanded, how will communities and developers need to be supported for a mandatory shared ownership scheme to be successful?