

SPICe Briefing

Renewable Energy: Community Benefit and Ownership

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This briefing outlines a range of renewable energy community benefit and ownership models and the support available to communities to develop renewable energy projects. It also explores some current issues in this policy area.



The "Dancing Ladies" wind farm, Isle of Gigha (Scottish Government, 2009)

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EXECUTIVE SUMMARY

The Scottish Government has ambitious aims for renewable energy, with a target to produce 100% of Scotland's own electricity demand from renewable sources by 2020; as well as the objective of having 500 MW of community and locally owned renewable energy by the same time. The Economy Energy and Tourism Committee (EETC) at the Scottish Parliament has recently concluded an inquiry into the achievability of the Scottish Government's renewable energy targets, and amongst other recommendations, stated that it wanted to see communities "empowered and equipped either to generate their own energy or to gain the maximum benefit from development in their local area". This briefing considers the range of community benefit and ownership models that exist, and other associated issues.

Community benefit is a gesture made by a commercial developer to a nearby community in relation to the installation of a renewables project, usually wind. Additional benefits from renewable energy can come from the creation of local jobs and training opportunities, energy efficiency measures which address fuel poverty, and contributions in kind to local assets and facilities. **Community ownership** is where the community itself is the developer and takes full responsibility for all aspects of the project.

The presence or absence of community benefit is not part of the planning application process and is distinct from planning gain (known as a section 75 agreement). However, evidence to the EETC indicated that the relationship between community benefit payments and the planning process can still be contentious. Community benefit payments have evolved in a piecemeal manner resulting in a diverse range of models being implemented by different developers, local authorities and community groups. To encourage transparency and consistency in the community benefit process and help communities to negotiate with developers, a community benefit register has been established by the Scottish Government. This is an online database into which developers and communities can voluntarily enter the particular benefit arrangement agreed at a development.

A number of concerns have been raised about community benefit payments, which have been considered both a 'goodwill contribution' and a 'compensation device', provided by developers. There is no common definition of the community that should benefit from funds, with different local authorities and developers having different guidelines. There is variation in the capacity of communities to manage benefit payments, and some communities feel frustrated with benefit payment administrators. The amount of money which is being provided by developers in the form of a payment has increased substantially in recent years; consequently there is greater need for communities to outline how money will be spent from the outset of a project.

Obtaining finance has been a barrier for communities starting ownership and shared ownership renewable energy projects. The Scottish Government's Community and Renewable Energy (CARES) loan scheme and the recently launched Renewable Energy Infrastructure Fund (REIF) seek to address these concerns.

Onshore wind and hydro are the main form of renewable energy generation in Scotland at present. Significant deployment of offshore wind, wave and tidal generation is expected in the next few years. Consideration will need to be given to community benefit payments at an early stage of these technologies' implementation.

BACKGROUND

The Scottish Government has a target for the equivalent of 100% of Scotland's own electricity demand, and 11% of heat demand to be produced by renewable sources by 2020; as well as the objective of having 500 MW of community and locally owned renewable energy by the same time (Scottish Government, [2011a](#) & [2011b](#)). A new interim electricity target of 50% from renewable sources by 2015 has also recently been announced (Scottish Government, [2012a](#)). Scotland is considered to be well placed to meet these targets (Scottish Government, [2011c](#) & [2012b](#)).

A broad range of opinion exists about renewable energy; in particular some individuals and communities oppose the siting of windfarms (and to a lesser extent other technologies) in their local area, due primarily to concerns about visual impact (BBC News, [2012a](#) & Guardian, [2012a](#)). Others however support windfarm developments (Ipsos MORI for Renewables UK (Business Green, [2012a](#)) and YouGov for Scottish Renewables (Guardian, [2012b](#)).

Many of the issues surrounding the Scottish Government's renewables ambitions were considered by the Scottish Parliament's Economy Energy and Tourism Committee (EETC), during its recent inquiry into the Scottish Government's Renewables Targets (EETC, [2012](#)). On the subject of communities, the EETC concluded that it wanted to see them "empowered and equipped either to generate their own energy or to gain the maximum benefit from development in their local area" (EETC, 2012).

This briefing therefore outlines the range of community benefit and ownership models that exist, the support available to communities and issues raised by community groups, local authorities and developers in Scotland about current practice.

COMMUNITY BENEFIT

“Community benefit” typically refers to a gesture made by a commercial developer to a nearby community in relation to the installation of a large-scale renewable project, usually wind (Community Energy Scotland, [2012a](#)). Additional benefits from renewable energy can come from the creation of local jobs and training opportunities, energy efficiency measures which address fuel poverty and contributions in kind to local assets and facilities.

Community benefit and ownership have evolved in a piecemeal manner, and a diverse range of models have been implemented by different developers, local authorities and community groups.

The UK Department for Energy and Climate Change (DECC) has recently launched a call for evidence, seeking information on the different engagement practices and community benefit packages that are being implemented for onshore wind developments (DECC, [2012](#)). The Scottish Government supports this consultation, and will consider the information received to examine how communities can have a greater say over, and receive further benefits (both economic and social) from, hosting onshore windfarms.

In November 2010, The Scottish Government consulted on Securing the Benefits of Scotland’s Next Energy Revolution (Scottish Government, [2010a](#)), which sought views on how community benefits from low carbon energy projects could be maximised. An analysis of the consultation was carried out in February 2011 (Scottish Government, [2011d](#)). From the consultation it was acknowledged that greater transparency was required around community benefit payments and that offshore renewables should be established as a key policy area.

[Community Energy Scotland](#) are contracted to deliver the Scottish Government’s Community and Renewable Energy Scheme, and have published a Community Renewable Energy Toolkit (Scottish Government, [2011e](#)). A table showing the key organisations involved in community benefit payments is shown in the Annex.

COMMUNITY BENEFIT AND THE PLANNING PROCESS

The Scottish Government has responsibility for the consenting of electricity generation development. Projects in excess of 50 MW are determined under section 36 of the Electricity Act 1989 by Scottish Ministers. Planning permission for projects of 50 MW or less (1 MW or less for hydro, wave and tidal) are determined by local planning authorities under the Town and Country Planning (Scotland) Act 1997. This is explored in more detail in SPICe Briefing 11-71 Wind Farms: Planning and Approval (Rehfish, A & Reid, A, [2011](#)).

Planning guidelines require a strict separation between the planning process through which a renewable energy development must pass to gain consent, and any negotiations regarding community benefit. The presence or absence of a community benefit fund is not part of the planning application process and is distinct from planning gain (known as a section 75 agreement). DECC (2012) describes the situation as follows:

There is a strict principle in the planning systems in all parts of the UK that a decision about a particular planning proposal should be based on planning issues; it should not be influenced by additional payments or contributions offered by a developer which are not linked to making the proposal acceptable in planning terms. Current planning legislation also prevents local planning authorities from specifically seeking developer contributions where they are not considered necessary to make the proposal acceptable in planning terms. This is to ensure that unacceptable development is never permitted because of unrelated benefits being offered by the applicant.

Scottish Planning Policy (SPP) states (our bold) (Scottish Government, [2010b](#)):

186. When granting planning permission, authorities should include conditions for the decommissioning of developments, including their ancillary infrastructure, and for site restoration. Authorities should also ensure that sufficient finance is set aside to enable operators to meet their restoration obligations, and should consider financial guarantees through a section 75 agreement. **A range of benefits are often voluntarily provided by developers to communities in the vicinity of renewable energy developments. These can include community trust funds. Such benefit should not be treated as a material consideration unless it meets the tests set out in [Circular 1/2010 Planning Agreements](#).**

Evidence to the Economy Energy and Tourism Committee (EETC) indicates that the relationship between community benefit payments and the planning process is still contentious. In this inquiry, one witness described the development process as follows:

They employ public relations people to campaign and go round the areas trying to persuade people by holding out carrots of making a certain amount of money if the developers are supported (SP, EETC, OR, 18 April, 2012, [col 1311](#)):

Another contributor to the EETC commented:

The payments undermine the impartiality of the planning process (Maureen Beaumont, written submission, EETC, [2012](#)).

Whilst SPP does not consider community benefit payments to be a material consideration, the promise of such benefit may still go some way to mitigating against local opposition. There are no national guidelines, but some individual local authorities have provided toolkits which offer direction about the point at which a developer can make proposals to a community.

The Community Renewable Energy Toolkit states (Scottish Government, [2011e](#)):

Some wind farm developers will engage in community benefit negotiations prior to any planning decision being made. Other developers have a policy of not engaging in such discussions until a project is consented.

In the Scottish Borders Toolkit (Scottish Borders, [2007](#)), the council states that pre-application:

The Developer [...] undertakes preliminary negotiations with stakeholders about the potential for community benefits associated with the project

In their community investment policy in Great Britain, Scottish and Southern Energy (SSE) state (2012):

Unless specifically requested by affected communities, SSE does not engage with them regarding community benefit funds until the project has been consented.

Whereas, in personal communication, E.ON state:

Discussions with the community would begin during the development stage of the renewable project. These initial meetings would seek views on what they would like to see out of the benefit package and how they would like it managed. If the project gains consent, we would continue these discussions and start putting forward options for the community to decide on.

Scottish Renewables, the trade body for the renewables industry in Scotland, believe that early engagement and continued dialogue between the developer and local communities is an extremely important part of project development, and state ([2011](#)):

We strongly object to this kind of planning gain¹ becoming part of the statutory planning system in general and we are strongly against it being imposed on renewable energy projects in particular.

Recently, the Scottish Government published guidance on wind energy for developers, planning authorities and communities. These guidelines are a result of the Good Practice Wind Project, which is sponsored by Intelligent Energy Europe and led by the Scottish Government (Scottish Government, 2012b). The project encourages early communication with communities; however it makes no specific mention of community benefit payments (Good Practice Wind, [2012](#)):

Project promoters must engage in meaningful and real ways with local stakeholders at the earliest possible opportunity. If a local community is not engaged at the outset it is much more likely that they will set the communication agenda and schedule (using all available social media) and the promoter will be required to reactively defend the project from local criticism-rather than being proactive. Real engagement must continue from the site assessment through to construction, and continue during operation (each project will affect the next).

¹ i.e. Community Benefit payments

MODELS FOR COMMUNITY BENEFIT SCHEMES

As previously noted, there are no statutory guidelines on community benefit payments and all payments from developers are voluntary. Therefore, community benefit and ownership practices have evolved in a piecemeal manner; consequently, a diverse range of models have been implemented by different developers, local authorities and community groups.

A spectrum of community benefit models exists, ranging from low-level community involvement in which communities receive grants from commercial developers to carry out immediate one off improvements to amenities, through to partnerships between the developer and community allowing communities to 'buy in' to developments, and complete community ownership of a project. The level of involvement undertaken by a community can influence the level of financial risk and return that a community may experience (Figure 1). The model of ownership is considered separately later in this briefing.

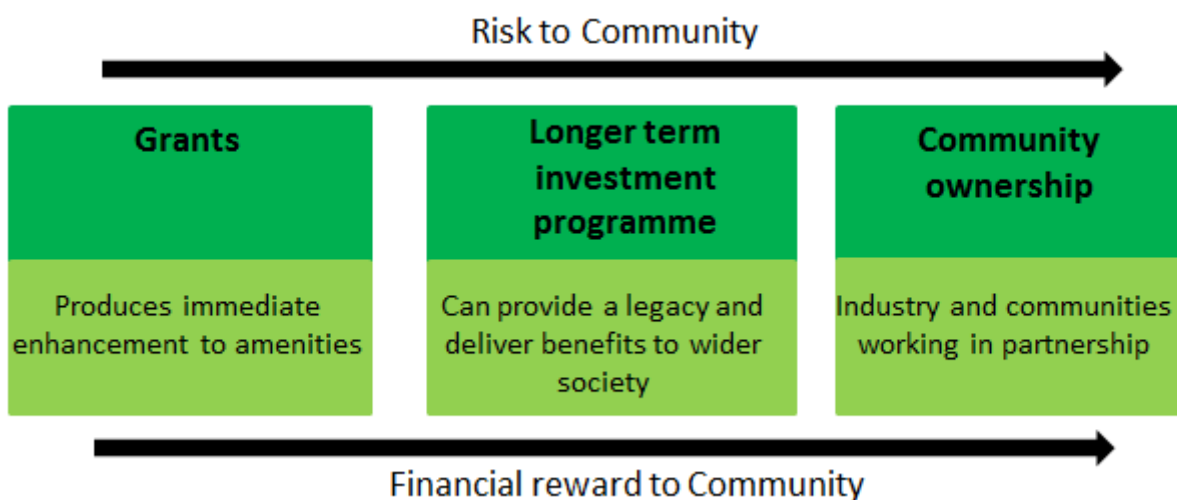


Figure 1: Diagram showing spectrum of potential opportunities generated by onshore wind community benefits (adapted from DECC, 2012).

SUPPORT FOR COMMUNITIES

To promote best practice, facilitate negotiation and enhance benefit payments from renewable developments, a voluntary [Community Benefit Register](#) was established by the Scottish Government and has been operational since April 2012. It is managed on behalf of the Scottish Government by Community Energy Scotland (CES) – more information on the register is provided later. CES, as part of the Scottish Government Community and Renewable Energy Scheme contract, also provides advice to communities with the aim of giving them the skills necessary to engage with developers. Guidance and advice for how community groups can maximise community involvement and benefits from renewable energy is also provided by the Community Renewable Energy Toolkit (Scottish Government, 2011e).

The Community Renewable Energy Toolkit (Scottish Government, 2011e) outlines three models for the administration and spend of community benefit payments from commercial wind farms, these are explored later in this briefing. In addition some local authorities have developed their own guidelines.

Dumfries and Galloway Council carried out a windfarm benefit review in July 2011, from which 'Information for communities' (Dumfries and Galloway Council, [2011a](#)) and 'Information

for Developers' (Dumfries and Galloway Council, [2011b](#)) was issued. In these guidelines, a standard minimum rate of £5,000 per MW installed by developers was recommended, which would be split 50:50 between a regional and community fund.

Scottish Borders Council (2007) developed a toolkit for communities and windfarm developers. The toolkit provides information on the range of options available for community benefits from commercial windfarms and describes examples of community ownership (or part ownership). In February 2012, the Borders Energy Agency was established; a charity which aims to broker agreements for renewable energy projects between communities and developers (Scottish Borders Council, [2012](#)).

Argyll and Bute Council ([2005](#)) have developed a policy on community benefit from windfarms. In this, they have drawn up a strategic concordat with major utilities and renewable energy companies operating in their area. The first energy company to develop a concordat with the Council was Scottish Power in 2004. Through the development of concordats, a minimum sum of £2,000 per MW installed capacity (although there are plans currently in place for an increase to £5,000) was pre-agreed. Payments were split between the immediate local community through a local trust fund and the wider Argyll and Bute community, through supporting the work of Argyll, Lomond and the Islands Energy Agency ([Allenergy](#)).

The Highland Council has a Community Benefit Policy ([2011](#)), and acts on behalf of communities to negotiate benefit payments directly with developers. The aim is to secure the greatest level of community benefit payment possible. The Highland Council seeks a minimum payment of £5,000 per MW of installed capacity, to be split between a local fund, an area fund and a Highland trust fund.

Scottish Renewables objected to this policy on the grounds that “there are many aspects of the proposed Highland Council policy which appear to contrast with both the spirit of community benefit and the ultimate aim of sharing the benefits of energy schemes with local people” (Scottish Renewables, [2012a](#)). This is considered in more detail in the section ‘Who should administer the funds?’

TYPES OF MODEL OF COMMUNITY BENEFIT

This section of the briefing outlines models of community benefit (community ownership is considered later).

Third party involvement: developers provide a community benefit package (based on the size of the project) and appoint a third party organisation to manage the fund. The community leads decisions on how funds are spent and the third party acts as a banker and administrator. This is the most common model and is useful for communities that do not have the capacity or desire to take forward a wholly community owned development. [The Scottish Community Foundation](#) (SCF) is a social enterprise, providing a service for some communities and developers in managing the benefit payments related to wind farms. SCF administers £1.2m of community benefit payments from sites that are operational and £400,000 from sites that are being built or are commissioned each year. The value of funds that SCF manage is equivalent to 20 – 25% of all operational sites with an installed capacity greater than 5 MW (Scottish Community Foundation, *Personal Communication*).

The Community Renewable Energy Toolkit states (Scottish Government, 2011e):

If a community group wishes to negotiate and control community benefit payments it should check with the local authority, community council, other community organisations and the local enterprise authority to see who wishes to be involved in discussions. It is

advisable to form a consortium or liaison group with members from all groups to present a single coherent opinion and prevent division. This group will need to be able to objectively gauge local opinion, effectively represent the views of the local population and negotiate with a clear community remit. There will also be administration and resource requirements to maintain a community trust and service a committee, and responsibilities for assessing and managing spend of the community fund.

Developer as grant maker: the developer provides the resource to manage the fund and assess what the benefit payment can be spent on. This is an approach followed by some commercial developers, where they are involved in decisions about the spend of the community benefit fund.

Community development trusts exist on some islands in Scotland and are tasked with maintaining a sustainable community. Direct benefits from renewable energy developments include benefits from the associated income that comes from energy generation and the jobs supported during the construction phase. Additionally, the projects can have a wider role in community development, because they require community consensus in order for the project to go ahead. An example of a community development trust is The Island of Hoy development trust in the Orkney Isles ([Island of Hoy Development Trust](#)).

Co-operatives and share schemes are where profits from a project are distributed (after all costs and bank loan payments have been paid) to shareholders in the form of a dividend. These dividends are directly related to the performance and profitability of the project, so that if members of a community own shares in a local wind farm, a strong link between local benefits and the wind farm's success can exist. An example is the [Energy4All](#) family of co-operatives, which have four developments. The co-operative model does not enable benefits to be distributed to the entire community however, because payments will be restricted to those with the means to invest in the project.

Local energy efficiency initiatives have received funds from some renewable energy projects. Examples of energy efficiency measures include, improving the insulation levels and heating efficiency of local dwellings and public buildings, installing small-scale renewable energy equipment such as solar water heating, solar PV, micro-wind and biomass (wood boilers). Energy advice and education could also be included and energy efficiency initiatives enhance the environmental benefits that are already being delivered by the wind farm and also support local employment. e.g. [Fintry Development Trust](#); see 'Case Studies' section for further details.



Community Involvement in Renewable Energy (The Highland Council, 2011).

Wider environmental and societal benefits may be provided by a developer through improvements to local facilities, environmental improvements, and tourism or recreation provision. [Whitelee windfarm](#) offers comparatively low community benefit payments of £1,000 per MW installed capacity by current standards (in 2004 however this was better than the industry average), but has also developed an access strategy for the site, leading to the creation of 90 km of access tracks over previously inaccessible and rarely used moorland, and a purpose built visitor centre with over 100,000 visitors in its first full year of operation.

Cheaper electricity is being explored as a potential option for local communities in the vicinity of some wind farms. [Good Energy](#) has launched a community wind farm tariff, offering people living near its Delabole project in Cornwall discounts on their energy bills (Business Green, [2012b](#)) and [Renewable Energy Systems Ltd.](#) is piloting a discount scheme at Bryn Llywelyn, Wales (Renewable Energy Systems, [2012](#)).

Forestry Commission Scotland (FCS) has a target of producing 2 GW of electricity from the land it manages on behalf of Scottish Ministers by 2020. To deliver this target FCS is working with a number of energy developers to build wind and hydro projects. As part of recent negotiations FCS has secured a mandatory community benefit payment of £5,000 per MW of installed capacity and an option which enables communities to take a stake in developments if that is what they want to do (SP, OR, RACCE, 26 September 2012, [col 1141](#)). On sites not selected by these developers, there is potential for communities to undertake development themselves under the National Forest Land Scheme (Forestry Commission Scotland, [2012](#)).

The Crown Estate Coastal Communities Fund has been established by the UK Treasury to provide funding for projects which support the economic development of coastal communities around the UK. This is an example of a fund which relates to the wider workings of an organisation, and is not necessarily specific to a community close to a particular project. It is administered by the [Big Fund](#), and aims “to recognise both the contribution that these places make to the development of the Crown Estate’s marine assets and their unique economic circumstances” (Big Fund, [2012](#)). The fund is financed by the UK Government, at an equivalent to 50% of the revenues generated from the Crown Estate’s marine activities each year. In Scotland, funds available are directly linked to revenues raised by Crown Estate activities in either the Highlands and Islands or the rest of Scotland. In April 2012, the fund contained £1.85m for the Scottish Highlands and Islands and £2.05m from the rest of Scotland (HM Treasury, [2012](#)).

ESTABLISHING LEVELS OF COMMUNITY BENEFIT

The Community Benefit Register

A flat rate does not exist for community benefit payments; instead a diverse range of models exist for different developers, local authorities and community groups. Community benefit payments began in the 1990’s at around £1,000 per MW of installed capacity and have steadily risen in recent years as projects have become larger and more profitable (Joseph Rowntree Foundation, [2012](#) & Scottish Renewables, [2012a](#)). The Community Benefit Register has been established by the Scottish Government and is an online database into which developers and communities can enter the particular benefit arrangement in use. The database opened in April 2012 and the Scottish Government states that it “will encourage transparency and consistency in [the] community benefits process and [will] help communities to negotiate with developers and understand better what can be achieved” (Scottish Government, 2012b). The register categorises the different payment options as:

- per MW installed
- per MWh generated
- fixed per year
- as a percentage of profit
- community buy in / share schemes
- virtual turbines – a virtual turbine is where a community group can buy a stake in a larger commercial development. While it may not own an individual turbine, their stake could be viewed as a virtual turbine, as the income received is equivalent to owning a turbine.

To date, 60 community renewable projects have entered their details into the register; of these, 55 are for onshore wind and 5 are for hydro developments. Six developments have provided specific information about the amount being paid per MW installed capacity. Five developments were being paid between £1,000 - £1,250 per MW installed, one was being paid £2,000 per MW installed and one was being paid £5,000 per MW installed.

Committing details into the register is voluntary, although it is a condition of receiving a [Community and Renewable Energy Scheme](#) (CARES) loan. According to CES, “it is just a case of making sure that people understand why we’re doing it and people want to give their information”...“For some of the bigger developers that have multiple schemes, it is going to take them some time to get their information on there. But, certainly we’re hoping to get the majority of projects in Scotland on there” (Robertson, [2012](#)).

Benefit Payments from Developers

Each renewable energy developer in Scotland has their own policy on the amount paid in community benefits and the types of additional benefits (other than monetary) they are able to provide. Different developers and projects will have different cost bases and risk profiles, with some projects able to offer higher levels of community benefit than others (Scottish Renewables, 2011). For on-shore wind, profitability is influenced by a number of variables including costs of construction, costs of operation, bank interest rates, wind quantity, electricity costs and grid connection costs (Scottish Borders Council, 2007). The standard rates offered by the key renewable energy companies operating in Scotland are outlined in Table 1 below.

Company name	Standard rate (per MW installed)	Additional Comments
Scottish Power Renewables (SPR)	£5,000	SPR currently offers community benefit equivalent of up to £5,000 per MW installed capacity, index linked. Community benefit is delivered in a variety fashions, involving a combination of straight financial payments to a local authority and/or to community organisations, provision of facilities or specialised access provision, direct support for local institutions etc. (ScottishPower Renewables, <i>Personal Communication</i>).
Scottish and Southern Energy	£5,000	This is made up of £2,500 per MW for local community projects and £2,500 per MW for a regional fund (Scottish and Southern Energy, 2012).
E.ON	Not stated	The amount paid to communities is determined on a project by project basis. Their considerations are based upon factors such as local authority guidance, which communities are most impacted and what the project is able to afford (E.ON, <i>Personal Communication</i>).
RWE Npower renewables	≤ £5,000	RWE Npower renewables have no standard rate. They state that each community is different and as such offer a bespoke approach to the delivery of community benefits with the aim of tailoring a package that supports the sustainable development of that community and helps them to achieve their aspirations and ambitions (RWE, Npower renewables, <i>Personal Communication</i>).
Vattenfall	£2,000	Vattenfall approaches community benefit on a case by case basis. Since 2010 in their only operating scheme, they have invested £2,000 per year per MW installed, index linked into local trust funds. Vattenfall are however reviewing the rates of payments offered for wind farms in development and anticipate being able to offer as much as £5,000 for new schemes subject to consideration of the economics of any given scheme (Vattenfall, 2012, <i>Personal Communication</i>).
EDF Energy	Information not supplied	-

Table 1: A table to show the different community benefit payments for onshore wind provided by the key Scottish players.

In addition to monetary benefits, some renewable energy developers are also exploring how they can work with communities to (RWE, npower renewables, *Personal Communication*) (Scottish and Southern Energy, 2012):

- better support economic development (including areas such as skills and jobs)
- balance funding between local and regional activity
- collaborate with other developers to consider the pooling of funding in the areas of high activity.

The EETC heard from Steve Salt, West Coast Energy that , “some smaller companies [...] give 10% of their profits to communities but still take all the risk” and from Jamie Glackin, Renewable Energy Consultants Ltd. That the “level of support that some wind developers put into communities is absolutely derisory”. When questioned about the percentage of profits generated from a development that would go to a community by way of a benefit payment, Jason Ormiston from Vattenfall noted that they had “a well-developed community engagement policy, which includes generous community benefit packages” Furthermore, communities “can gain access to those funds without incurring the risk that is associated with the development”. However, when pressed further, he declined to provide specific details, stating “You are asking for commercially confidential information—you are asking about the profitability of our wind farms” (SP, OR, EETC, 6 June 2012, [col 1671](#)).

In a comparison of initial revenue between community benefit payments from windfarms in Wales and income from community owned windfarms in Scotland (i.e. Gigha and Fintry), community owned schemes generate £50-100,000 per annum for their communities. In Fintry the community owns a single 2 MW turbine within a larger project, which is expected to gain revenues of £400-500,000 per annum once the capital is paid off and full ownership has been passed to the community (Munday, Bristow and Cowell, 2011).

The study acknowledged that this comparison is based on only two sites, but states “even as a crude benchmark, they greatly exceed the sums of £1,000 - £5,000 per MW per annum being offered by commercial wind farms through community benefit funds.” (Munday, Bristow and Cowell, 2011).

A recommendation of the EETC (EETC, 2012) has been that they wish to see larger firms emulate the example of the best smaller firms:

Community engagement should be a genuine two-way street and a fair exchange rather than a token payment representing a small portion of profit. Developers should adopt a code of practice which will set out a minimum profit share or ownership stake for the local community.

[...]

Furthermore, the Scottish Government should give consideration to whether developers of schemes over a certain threshold should be required to provide a community stake (EETC, 2012).

COMMUNITY OWNERSHIP

With community ownership the community itself is in effect the developer and takes full responsibility for all aspects of the project. To convince funders that the project is wanted, local support and input for the project is necessary. The first project of this kind was on the [Isle of Gigha](#), where 3 wind turbines were installed in 2003.

The benefits of community ownership were outlined in CES's submission to the EETC, where it stated that "a typical 0.9MW wind turbine in community ownership will generate the same level of net income as a 50MW wind farm paying £2,000 / MW community benefit" (Community Energy Scotland, written submission, EETC, [2012](#)). However, ownership also involves greater risks to communities should the wind farm not perform as expected, or as electricity prices change (Munday, Bristow and Cowell, 2011). An ICM Research poll indicated that two thirds of those interviewed "would be likely to support local renewable energy projects, including wind turbines, if they were 100% owned and controlled by the community with all the profits benefiting the community". Only 7% of respondents said they would be unlikely to support a project such as this (ICM Research, [2012](#)).

As at June 2011, 147 MW of community and locally owned renewable generation was operating, amounting to 30% of the 500 MW target. If projects either under construction or consented are added to this figure, it amounts to 268 MW, equivalent to 50% of the target (Figure 2) (Energy Saving Trust, [2012](#)).

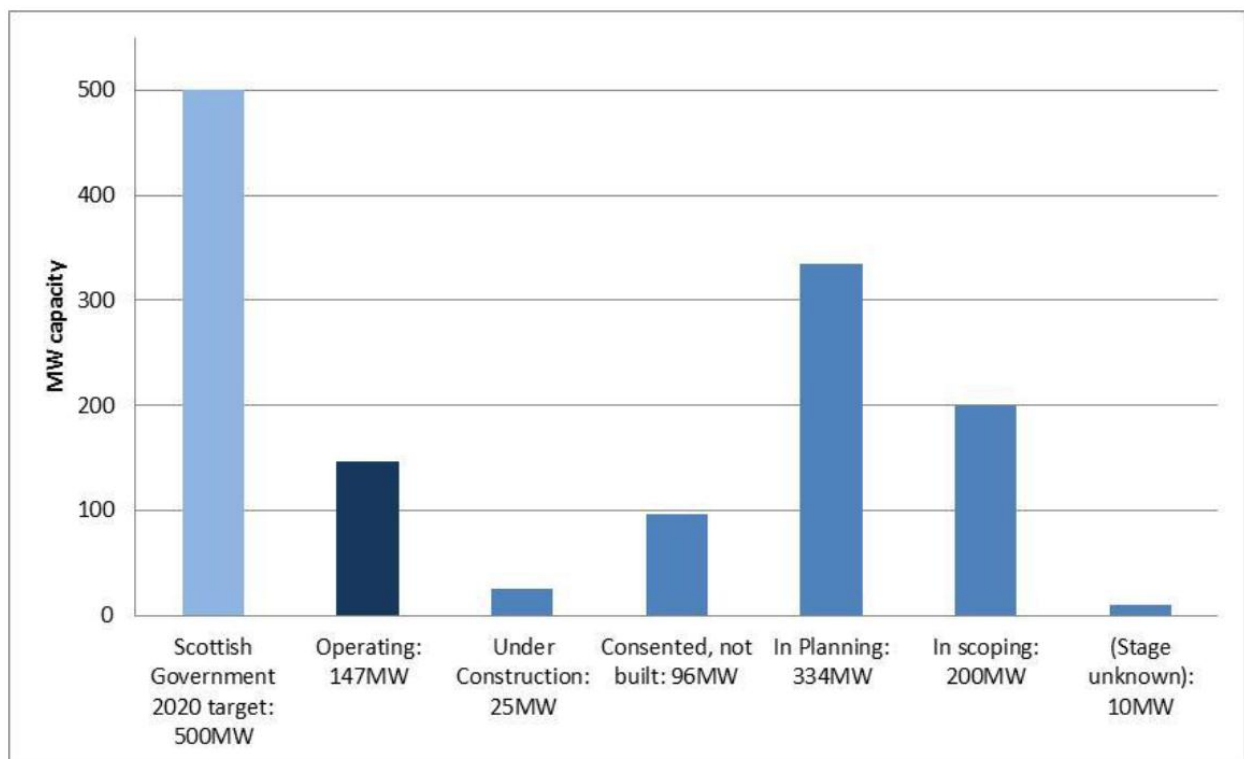


Figure 2: Community and locally owned renewable energy capacity in different stages of development, June 2011 (Energy Saving Trust, 2012).

Box 1: Ownership and share ownership schemes in Europe

Scotland is considered well placed to meet its ambitious renewable energy targets (Scottish Government, 2011b & Scottish Government, 2012d); however in comparison to other European countries, the proportion of renewable energy projects owned by communities is small. In the UK, less than 10% of renewable energy is owned locally and over 90% is owned by the big energy firms. In Scotland, if all targets are achieved, 3% of renewable energy will be community or locally owned. This is in comparison to Germany, where over 65% of the turbines and solar panels are owned by individuals, farmers and communities (Guardian, [2012c](#)).

Lord Turner, then chairman of the UK Government's independent advisors, the Committee on Climate Change (CCC) commented that part of the reason why windfarms in Britain face local opposition is because they are owned by large developers instead of individuals and communities (Guardian, [2012d](#)). Lord Turner stated:

Rather than looking at it and saying 'that big company dumped it here to make profit', they look at it and say 'that's ours and I get some profit from it' and as a result it turns out aesthetic perceptions are deeply subjective and you say 'I rather like it' rather than 'I rather dislike it' (Guardian, 2012d).

Denmark and Germany have been presented as model countries for how community ownership and benefit schemes should be implemented (Centre for Sustainable Energy, [2005](#)). Factors which led to Denmark's success are thought to be: a strong domestic market stimulated by the correct incentives, capital support for early-stage projects, the successful commercialisation of early stage research and the facilities to test devices. Witnesses to the EETC enquiry also spoke about the advantage of scaling up technology in a gradual and sustainable way and avoiding the loss of confidence in the industry which was experienced in the UK and US when large projects failed (EETC, 2012).

The co-operative approach in Denmark has been at the core of the Danish wind industry. Policy arrangements work to encourage significant financial participation and co-ownership from landowners and locals. In the Renewable Energy Act, Denmark, 2008, developers are required to offer up to 20% of shares in a project to an individual householder living within a 4.5 km radius of the site. Shares not taken up are then offered to other householders in the wider municipality (Danish Government, [2009](#)). The Act also provides for owners living in very close proximity to turbines to make a claim for compensation for any deemed loss of value to their property (Danish Government, 2009). Denmark has over 6,000 turbines, around 70 – 80% of which are co-owned by local groups (Guardian, [2012e](#)).

A potential drawback of the co-operative model is that it does not enable benefits to be disseminated to the entire community, because payments will be restricted to those with the means to invest in the project. Differences between the UK and Germany and Denmark also exist in the ability of small wind projects to obtain finance. In the UK, financial institutions appear to be less willing to lend to smaller wind projects than in Denmark and Germany, because of uncertain returns in the UK's electricity market. This leaves community-based developers relatively more dependent on government loans and other support mechanisms for a proportion of capital costs, which can prove difficult and time-consuming to obtain (Munday, Bristow and Cowell, 2011).

FINANCE FOR COMMUNITY OWNERSHIP PROJECTS

There is already at least 147 MW of renewables capacity in community and local ownership, spread across 3,400 sites (Scottish Government, 2012b). Whereas previously, the Scottish Government's main mechanism of support was through the provision of grants, the emphasis has now changed to support electricity generation projects through giving loans (Scottish Government, [2011e](#)). A number of different models exist for obtaining finance for community ownership schemes, as set out below.

The Scottish Government's Community and Renewable Energy Scheme (CARES), helps communities to install renewable energy projects and is delivered by Community Energy Scotland (CES). The scheme aims to mitigate the risk of community renewables development by funding pre-planning costs. Loans are issued to fund projects up to the submission of a planning application, and are repaid with interest at financial closure. The loan is written-off if a project fails to gain consent.

The CARES loan fund was launched in February 2011 and began at the start of the financial year 2011/12. From April - October 2012, 42 projects were offered loans totalling £4 million which (subject to gaining planning consent) are likely to result in 56 MW of installed renewable capacity (Scottish Government, 2012b). Over the next 3 years, loans are expected to amount to £28.5 million (Scottish Government, 2012b). The CARES scheme was recently recognised by the Organisation for Economic Co-operation and Development (OECD) as an example of good practice in bottom-up approaches to renewable energy (OECD, [2012](#)).

In the EETC, Mike Pitman from Fraserburgh Development Trust, described CARES as a "great facility", "highly effective" and "the only way to get into the game" (SP, OR, EETC, 9 May 2012, [col 1454](#)). However he did feel that the rate of interest at 10% was high. Recommendations from the EETC were that that "the Scottish Government considers devoting greater resources to CARES in future budgets and looks at restructuring repayments to enable greater participation and enhanced benefits" (EETC, 2012).

A number of CARES strands exist to help differentiate types of development. Each of these strands has detailed terms and conditions and a competitive application system, as follows:

- **CARES loans for communities and rural businesses:** These loans enable community groups, businesses and charitable groups to take forward plans for renewable energy generation schemes on land that they either own or lease. The loan covers up to 95% of pre-development costs (e.g. Environmental Impact Assessments (EIAs) or technical feasibility assessments), up to a £150,000 maximum. If the project is prevented from proceeding for an insurmountable reason, the loan taken out to that point can be written-off. If the project proceeds, the developer must pay an annual amount of > £10,000 per MW of installed capacity to a local community organisation for 20 years.
- **CARES infrastructure grant:** These grants provide money for projects that want to link local energy generation, with local energy use or projects that wish to develop innovative distribution network connections.
- **CARES URBAN grants:** These are also supported by [The Robertson Trust](#) (an independent Scottish grant-making trust) and contribute to the costs of technical energy studies of buildings and installation of renewable energy equipment. CARES URBAN funds projects that are located in areas of the lowest band for the Scottish index of Multiple Deprivation (0 - 20% SIMD). The grant scheme can offer up to 90% of the costs of renewable energy installations in urban community buildings (Community Energy Scotland, [2007](#)).

The Community Renewable Energy Support Programme (CRESP) is a Highlands & Islands Enterprise programme, delivered through CES. It provides grant funding, support and advice for community-led renewable energy projects in the Highlands & Islands, and can cover pre-development technical assistance. It is a three year programme with a year's extension ending on 31st July 2013 (Community Energy Scotland, [2012b](#)).

The Renewable Energy Investment Fund (REIF) is a £103 million fund, launched in October 2012 (Scottish Government, 2012c). It is expected that the majority of this fund will be allocated to marine renewables projects; however a substantial amount will still be available for onshore community schemes. In relation to these, communities are expected to be able to access finance at the post planning stage to help them reach financial closure or to take an equity stake in a commercial development (Scottish Government, 2012d). REIF is delivered by the Scottish Investment Bank on behalf of the Scottish Government and its enterprise agencies, with the first deals expected to be completed by the end of the financial year 2012/13 (Scottish Government, 2012b).

CURRENT ISSUES

The perception of benefit payments

An on-going discussion is whether community benefit payments are a “compensation device” (Munday, Bristow and Cowell, 2011) for affected communities or a “goodwill contribution” (Highland Council, [2012a](#)). The predominant feeling amongst developers is that there is a need to remove the view that benefit payments are compensation payments (Scottish Renewables, 2012b). A key aspect of this debate is that to provide ‘compensation’ would imply causing some harm (Cowell, Bristow, Munday, 2011). Any harm should already have been accounted for within the planning stages of the development.

How to define a community?

Identifying the community to benefit from a development is difficult and there is no one size fits all solution. Cowell *et al.* (2011) define a community as “the group of people most affected by the wind farm” and in an academic context, communities can be defined as either “a community of locality” i.e. areas close to, and affected by a development or “community of interest” i.e. communities with a shared viewpoint (Munday, Bristow and Cowell 2011). However, in practice, communities are less easily defined and the guidance for such a definition is minimal.

Different local authorities have different policies for determining what constitutes a community. Highland Council (2011) defines a community based on proximity to the site, visual impact, construction impact and number of residences. In the Scottish Borders Toolkit for communities and wind farm developers (Scottish Borders Council, 2007), this ambiguity is outlined in the following statement:

It is not easy, or helpful, to try to define the community affected by a particular windfarm in terms of its distance from the windfarm, or by defining a particular Community Council area [...] it is better to leave those communities who feel they are affected and the windfarm developer / operator concerned to agree who should be included in the negotiation of community benefits.

Wind-farms are frequently not contained within single Community Council boundaries and so one windfarm operator may be potentially negotiating with several different ‘communities’ for a single windfarm (Scottish Borders Council, 2007). Whitelee windfarm, at 322 MW is the largest onshore windfarm in Europe. The scale of the project has meant that community benefits from the windfarm have been subject to agreements between three local authorities (East Ayrshire, East Renfrewshire and South Lanarkshire).

Multiple models exist for splitting payments between the local and wider area funds (Argyll and Bute Council, (2005) & Highland Council, (2011)). Furthermore, the energy company SSE has established a local (i.e. for local community projects) and regional (i.e. for strategic projects in regions in which they are operating) fund (Scottish and Southern Energy, 2012).

Who should administer the funds?

Differences exist in the ability of communities to administer funds, without requiring third party involvement. These differences occur because of variation in the capacity of a community to take on responsibility and manage finances (Argyll and Bute Council, *Personal Communication*). A consequence of this variation is that some communities could benefit from a flexible market

place where they might be able to negotiate with developers, whilst others would benefit from greater legislation (ScottishPower Renewables, *Personal Communication*).

Scottish Borders Council and Argyll and Bute Council have companies to broker agreements between communities and developers; the Borders Energy Agency operates in the Scottish Borders and AliEnergy operates in Argyll and Bute. Furthermore, Argyle and Bute and Highland Councils have published procedures (Argyll and Bute Council, (2005) & Highland Council, (2011)) for controlling the process of community benefit payments (see section 'Individual Local Authority Guidelines' for further details). For some community groups and developers, these procedures have been a source of resentment (Cowell, R., Bristow, G., Munday, M., 2011), with "Communities wanting to have their say" and not be "kept at arm's length" (Scottish Renewables, *Personal Communication*).

In a letter to the Highland Council, Scottish Renewables (2012a) outlined their belief that community benefit works best when it remains flexible, transparent and effective. Scottish Renewables was opposed to a "flat rate" for community benefit payments, because of the uncertainties that the industry experiences both now and in the future. Uncertainties include an increase in business rates, alteration in subsidy levels, and a greater number of projects being implemented in marginal areas, where there are proportionally larger overheads because larger available sites have been used up.

They stated that "Community benefits from renewables projects need to be directed towards those who are in a position to use them, in the best possible way for the local area". The key objections to Highland Council's proposals are that:

- they could create a conflict of interest, by bringing the issue of community benefit payments too close to the planning system
- setting a flat rate for community benefit payments ignores some of the uncertainties that are currently faced by the industry and that the industry will experience in the future
- the proposals risk limiting dialogue with communities and, as a result fail to meet communities' needs
- the proposals are discriminatory against the renewables industry
- the proposals fail to highlight the benefits of renewable energy to the general public and imply that community benefits are a compensation payment
- the proposals show a lack of consultation and evidence.

How should the funds be spent?

The amount of money which is being provided by developers in the form of a payment has increased substantially in recent years. A consequence of this increase has been a greater need for communities to possess a strategy for how payments may be spent. The consequence of an increasing level of funds reaching sparsely populated areas is that:

This heightens the importance of deliberating carefully the scale, role and purpose of community benefits, in relation to issues of justice, long-term sustainability and rural development (Cowell, Bristow, Munday, 2011).

Furthermore some developers have expressed concern that "money from community benefit projects is being used to shield communities for cuts in services" (ScottishPower Renewables, *Personal Communication*). Restrictions of funds from developers can therefore include an assurance that funds:

Are not used for activities generally understood to be the absolute responsibility of statutory authorities or to replace existing council provision (except where such facilities could be enhanced including through community ownership) (E.ON, *Personal Communication*)

In Scottish Community Foundation's (SCF's) view (*Personal Communication*), the underutilisation of funds is the result of poor planning when community benefit funds are established. The demand for funding from community groups and charities has steadily increased over the last five years, during a time when the level of government spending in the not-for-profit sector at a national and local level has declined.

SCF believe that the issue of underspend in community benefit funds occurs when:

- the area of benefit is too small, with relatively low levels of population and community activity
- the terms of the community benefit fund are too restrictive
- the ability to access the funds is cumbersome and difficult to understand
- there is a lack of accountability among the decision-makers, or decision-makers are distant from the community
- the model for distributing funds relies heavily on volunteers
- no provision is made to support the community to develop initiatives that can benefit from the funding.

To ensure that communities consider how best to spend payments, a requirement of the CARES contract is that they outline how money should be spent. An example of good practice for planning the use of benefit payments is the [Neilston Development Trust](#) Town Charter (East Renfrewshire Council, [2009](#)), which lists projects in terms of short, medium and long term goals (see 'Case Studies' for further information). Additionally, Argyll and Bute Council have been setting up workshops, so that different community councils can exchange ideas on how money can be spent (Argyll and Bute Council, *Personal Communication*). A question still remains however of the legacy of projects; i.e. what happens after the funding runs out?

Obtaining finance for ownership and shared ownership projects

The Scottish Government wishes to maximise local ownership of renewable energy generation projects, however a significant barrier towards their start-up is the ability of communities to raise sufficient finance to invest. In particular, communities have noted that financial assistance to fund feasibility studies and pre-development work and also cash flow during the development phase is important (Argyll and Bute Council, [2012b](#)). To provide finance for communities, as mentioned previously, the CARES scheme has been implemented and REIF was launched in October 2012.

Triodos and the Co-op Bank are loaning funds, but are doing so at a much lower level, because banks are willing to take less financial risk than they might have done previously (SP, OR, EETC, 9 May 2012, [col 1452](#)). Smaller community projects also face dis-economies of scale from the initial planning work required, e.g. costs of Environmental Impact Assessments will be similar for projects of all sizes. Smaller community projects have also experienced operational difficulties in getting projects connected to the grid network (Munday, Bristow and Cowell 2011). Community ownership may bring economic benefits to affected communities; however there are increased risks from the wind farm not performing as expected or from changes in electricity prices (Munday, Bristow and Cowell 2011).

Developing technologies

At present, the main form of renewable energy generation in Scotland is electricity from onshore wind and hydro, however there is expected to be significant deployment of offshore wind, wave and tidal generation in the UK in the next few years (Reid, A., [2011](#)). Research is also being undertaken into less mature sectors, such as bioenergy, heat and combined heat and power. Offshore wind developments are at a commercialisation stage, with a quarter of Europe's potential offshore wind resources present in Scotland (Scottish Government, [2012e](#)); however other areas of the marine renewables sector (i.e. wave and tidal) are still in the early stages of development.

The world's first commercial wave power station was the LIMPET (Land Installed Marine Power Energy Transformer) on the island of Islay (BBC News, [2000](#)). The world's first tidal power array will be on Islay, operated by Scottish Power Renewables and planned for 2014 (Argyll and Bute Council, [2011](#) & HIE, [2012](#)). There is an ambition to have the marine renewables sector commercially operational by 2020, however Highland Council (2012b) state that while considerable progress appears to have been made in the last couple of years, a more realistic timescale for seeing a significant increase in installed generation capacity is closer to 20 years.

When offshore projects are implemented, The Scottish Government states (2012b) that there is a "need to ensure that community benefits are considered at an early stage". However a Highland Council report (2012b) outlines many barriers to community participation in marine developments. Potential barriers include the early stages of the industry, high development costs, the role of the Crown Estate, lack of accessible information for communities, limited community capacity and access to finance (Highland Council, 2012b).

CASE STUDIES

Neilston community windfarm

Neilston community windfarm is an example of a joint venture between a community group ([Neilston Development Trust](#) (NDT)) and a developer ([Carbon Free Developments](#)). NDT is a charity formed by local people, serving the village and residents of Neilston. A 49.9% / 50.1% limited liability partnership was formed between NDT and Carbon Free Developments in March 2012. Finance for the £15.6m, four turbine, 10 MW windfarm was provided from the Co-op Bank, private investors, Scottish Government and social lenders. The windfarm is expected to earn the community almost £10 million over the next 25 years and is constructed on an old landfill site (Social Investment Scotland, [2012](#)).

Finance from the windfarm will be used to support projects outlined in the Neilston Town Charter. Launched in January 2009, this contains projects ranked in terms of early win projects (e.g. sustainable wildlife and planting strategy), medium term businesses (e.g. hydro scheme linked to a dam) and long term timescales (e.g. a waste to energy scheme) (East Renfrewshire Council, [2009](#)). The Charter is recognised by the Council as having primacy in strategic terms and will feed into the preparation of the Local Development Plan (Scottish Government, [2010c](#)).

Fintry Development Trust

[Fintry Development Trust](#) (FDT) is based in the village of Fintry, Stirlingshire. It was the first engagement of its type by a developer with a community group and has become known as the "Fintry Model". This has since been replicated in other communities which have faced the same issues of fuel poverty.

Fintry Renewable Energy Enterprise (FREE) was established in 2003 by residents who negotiated to develop their own turbine, within a 14 turbine development already proposed nearby. FDT approached [Falck Renewables](#) to add an extra turbine to the planned development of 2 MW turbines. FDT now own the rights to one turbine and finance was secured through its inclusion in a bank loan for the main wind farm. Although Falck renewables currently own the turbine itself, there is an agreement which states that it will consider a change in ownership to the community once the loan is paid off. Income for FDT is now equivalent to 1/15th of the site's net income, minus the costs of the loan repayment, which is estimated at £50,000 - £100,000 per annum, depending upon performance (Scottish Government, 2011e).

Fintry is off mains gas, so properties rely heavily on LPG, oil fired boilers and coal to a lesser degree, therefore heating is an increasing expense. An aim of FDT is to reduce the energy use of the village, making it a zero-carbon, zero-waste community (FDT, [2012](#)). Projects have included community hall heating, sports club energy saving and other energy projects. As many properties in the village were surveyed and insulated as possible. FDT has increased the number of domestic and community buildings with micro-renewable heating and generation from 3 - 15% over an 18 month period (Fintry Development Trust, written submission, EETC, [2012](#)).

NOVA Innovation

Whilst Highland Council (2012b) noted that marine renewables is at a very early stage, an Edinburgh company, [NOVA Innovation](#) is developing the world's first community owned tidal energy project in the Bluemull Sound, between the Yell and Unst in the Shetland Isles. The turbines will eventually be used by the North Yell community to power an industrial estate and ice plant and will also feed into the national electricity grid.

A single 30kW (Nova-30) community tidal device is currently being built by Steel Engineering in Glasgow, with a projected deployment date of early 2013 (BBC News, [2012b](#)). In October 2011 NOVA was successful in securing the seabed lease to develop a 0.5 MW tidal array at the same site, which will become an engineering extension of the initial scheme (NOVA Innovation, [2011](#)). The initial development has been funded with £150,000 from CES, £16,990 Shetland Island Council and £1,200 from the community (NOVA Innovation, *Personal Communication*).

Simon Forrest, director of Nova Innovation noted (Scottish Government, [2012f](#)) that there was “significant potential for tidal arrays for other communities across Scotland”.



NOVA Innovation (2012)

ANNEX

A table to show the key organisations involved in Community Benefit payments.

Organisations involved in developing Community Benefit Schemes in Scotland	Description of role/responsibility with respect to community benefit and ownership schemes
The Green Energy Trust	The ScottishPower Green Energy Trust is an independent charity which helps community-based renewable energy projects get off the ground.
Community Energy Scotland	A charity that provides practical help for communities on green energy development and energy conservation.
The Scottish Community Foundation	Works alongside communities to help ensure that community funds best fit local needs and opportunities.
Highlands and Island Enterprise	The Scottish Government's economic and community development agency for the highlands.
Community Land Scotland	The representative organisation of Scotland's community land owners.
Scottish Renewables	Scotland's leading renewables trade body
The Energy Saving Trust	Gives impartial, accurate and independent advice to communities and households on how to reduce carbon emissions, how to use water more sustainably and how to save money on energy bills.
Big Fund	Administers the Crown Estate Coastal Communities Fund
Forestry Commission Scotland	Serves as part of the Scottish Government's Environment and Forestry directorate, and is responsible to Scottish Ministers, advising on and implementing forestry policy and managing the national forest estate.

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