

# Community Benefits from Net Zero Energy Developments

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

## Executive Summary

Energy UK is supportive of community benefits for generation in Scotland, noting the success story they are for the country. Regarding this consultation, while we support the current Good Practise Principles, we would note that the current balance on community benefits is also delicate, and any changes require careful handling. For offshore wind, there may be limited opportunities to introduce meaningful new policies, given the very different economics of offshore wind to many onshore generation technologies.

If you would like to discuss this response in further detail with Energy UK and its members, we would welcome further engagement.

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## Chapter section 1: Offshore renewable energy developments

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

Relevant communities are coastal communities who may view the offshore wind from the shoreline, use the seabed and the ocean above it in or around the development, and those affected above the development (e.g. airspace users).

This is likely to include;

- Coastal residents
- Fishing and aquaculture communities
- Commercial shipping
- Water sports users
- Navy
- Ports
- Aggregate and mining industries
- Subsea cable industry
- Oil and gas operators and users
- Carbon capture and hydrogen industries
- Offshore wind industry
- Other marine forms of energy (such as tidal stream or wave)
- Marine nature conservation groups
- Airports
- The RAF

However, of these, coastal residential areas, fishing, marine nature conservation groups, and shipping are most likely to be the main communities likely to be impacted in a wider variety of cases.

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

A more formal role could be given to local authorities, but the main groups that should make decisions on these proposals should be local communities. These can be represented by local authorities and groups, but these should represent the needs of the local communities overall.

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

These should be predominantly focused on local hearings with community groups. Sessions on and a vote regarding the development by affected local authorities will be a determiner of appropriate accountability. Local decision making is a critical area to support communities best, as each community has its own unique set of circumstances. This is also true to use of community funds arising from development projects.

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

Given the vast disparity in economic models for smaller scale onshore wind and offshore wind farms, policies for offshore wind should treat these as different technologies, rather than adapting policies that have worked for onshore wind in the past. It is also worth noting that the impact on visual amenities is increasingly redundant as many offshore developments are now further and further from Scottish shores. A community fund model, which inputs a payment from offshore wind developers into a fund that addresses issues for affected communities, is probably the most desirable model. Discounted electricity bills, as with onshore wind, may also be an alternative route. However, this is less likely to help affected industries, and there is less of a strong case for discounted bills helping to mitigate visual amenity loss for offshore wind. A community ownership model of offshore wind is possible, but likely to have limited impact given the different economics of large-scale offshore wind farms. We would note the proposed versions of this in Denmark have had limited success so far. Flexibility for local communities in how they implement these, and which routes they choose to go down, is critical for successful implementation.

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

There are too many variables to sufficiently answer this question. Generally however, community benefits and the level they can be set at will be determined by the size and scope of the development, not the other way around.

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

Regional and national scales will likely be too large for many developments. Coalitions of local authorities or some kind of temporary board is more likely to be the realistic approach for mitigation. Therefore, Energy UK does not support a national approach for delivering community benefits, and even large regional

schemes are likely to undermine the principles of community benefits, namely reducing impacts to individual communities affected.

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

The Good Practice principles allow a sufficient scope for most scenarios, and are considered sufficiently robust. Therefore, while there are positive and negative impacts from these developments generally, we have no specific comment to make on positive and negative aspects for the principles themselves.

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

By utilising the same principles as onshore infrastructure, such as a proportion of power generated to compensation given. A key divergence is that the capacity of offshore wind is likely higher than many onshore forms of power under current scope (like onshore wind or solar), with the effects of offshore wind over a larger area but more diffuse. This makes tying direct benefits to direct participants more logistically challenging, and less likely to be practical. Community benefits for offshore wind are therefore not a high priority, given its respective impact is low and the economics greatly different from multiple onshore technologies.

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

The potential for community ownership is low. While the same principles may still apply for offshore wind, given the larger investments and capacity involved, community ownership is only ever likely to be a very low stake for most offshore wind farms.

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

This may be unnecessary, as electricity bill discounts and payments into a community fund may be a more effective use of resources in this instance.

## Consultation section 2: Onshore net zero developments

**Question 1: a) Which of the following onshore technologies should be in scope for the Good Practice Principles? Select all that apply.**

- Wind
- Solar
- ~~Hydro power (including pumped hydro storage)~~
- ~~Hydrogen~~
- ~~Battery storage~~
- ~~Heat networks~~
- Bioenergy
- ~~Carbon Capture, Utilisation and Storage (CCUS)~~
- Negative Emissions Technologies (NETs)
- Electricity transmission
- Other – please specify in question 1b

**1. b) Please explain your reasons for the technologies you have selected or not selected and provide evidence where available.**

Newer technologies such as hydrogen and CCUS, as well as storage systems such as battery storage and pumped hydro should not be in scope of the Good Practise Principles. This is both because given the nascent nature of these technologies, further information is needed at a later stage on impacts these will have on local communities, as well as the fact that much of this infrastructure is likely to be reused from existing assets. Equally, storage technologies do not function in the same way as generation and therefore different principles apply. Heat networks are managed via a very different set of policies, and therefore should be out of scope here. Transmission infrastructure is mostly within UK government's remit. However given the Planning and Infrastructure Bill's policies, UK and Scottish government should work together on applying an equivalent version of the GPP for Scottish transmission assets in the secondary policies covering this in future.

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

Good practice principles should be applied as standard, unless technologies throw up a particular set of challenges. Different technologies will require different benchmarks based on their respective economics. Energy UK supports the £5000 per MW benchmark for onshore wind.

**Question 3: Do improvements need to be made to how eligible communities are identified? For example, changes to how communities are defined at a local level, and whether communities at a regional and/or national level could be**

eligible. Please explain your answer and provide supporting evidence if available.

Unnecessary, the current standards appear sufficient.

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

The most important principle is keeping community benefits flexible for the needs of the communities involved. The good practice principles appear to allow that, so they should be continued. As our response to Question 5 of the previous consultation section outlines, there are multiple approaches such as community funds and bill discounts. Also important is flexibility based on technology types for onshore generation. Solar for example has lower load factors than onshore wind in Scotland by some margin, meaning lower payments to community benefits funds are a requirement for solar based on different economics of the technology. As for transmission assets such as pylons and substations, the proposed powers in the Planning and Infrastructure Bill for the Secretary of State to introduce community benefits should go some way to introduce community benefits if implemented, and we would encourage coordination between the Scottish and UK governments for effective implementation in Scotland.

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

Please refer to previous points on flexibility of community benefits based on individual communities and project types.

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

The same principles should apply to repowering as to new projects.

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

available.

Community benefits for multiple projects should encourage higher payments on a case by cases basis, based on the needs of the individual communities.

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

Currently, Energy UK members have raised concerns of increasing economic challenges to delivering projects, the economic viability of some onshore wind projects more at risk, in part due to supply chain pressures and external fiscal events. Any changes to community benefits must align with what the industry is able to deliver. While currently supportive, any further changes must contend with potential risk to Scotland's competitiveness in a global market and that of the other nations of the UK.

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

Yes, this is an acceptable balance between costs incurred for developers and meaningful benefits for communities. The cost to developers is a significant part of profits, meaning there the current balance is delicate. Any future change in circumstances surrounding these policies must reflect this.

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

Yes, the benchmark should be set differently, at least initially. The business case for newer technologies that could be included in future years may change, but given the respective economics and load factors of different technologies (such as onshore wind and solar) differ greatly, the benchmark for solar should be lower than that of onshore wind.

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

See above.

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

Energy UK would note the wider economic benefits of renewable energy projects across Scotland not quantified solely in community benefits, such as economic growth, job creation at site and across the supply chain, and lower bills overall. Consideration of these must factors into decision making around proposed new policies and changes.