A Fair Energy Deal

for Scottish Communities

Call to Action

April 2024

1. Contents

1. Introduction

Against a backdrop of challenges and opportunities in transitioning to a net zero society, a coalition of community sector organisations – Community Energy Scotland, Community Land Scotland, Development Trusts Association Scotland, Scottish Communities Finance and Scottish Community Alliance - have come together to issue the following calls for action on behalf of communities across Scotland. Contained in this document are Our Seven Calls to Action to government, industry, and communities – together, we can create a Fair Energy Deal for Scottish Communities.

The drive to net zero by 2045 and expansion of renewable energy in Scotland provides a huge opportunity to secure meaningful community benefits, support community-owned renewables and ensure that wealth being generated from Scotland's natural resources is shared fairly across Scotland. Current ambition for onshore renewable generation (both new and repowered), offshore wind generation, and associated requirements for widespread electricity network upgrades present real opportunity to generate sustainable income and legacy for the people of Scotland.

Community understanding and fair participation in the energy sector is essential to ensuring local buy-in and appreciation of the need for the large-scale transformation of the UK electricity network required to ensure our collective low carbon future.

We need strong government leadership across industry and the community sector to support and expand existing community renewables whilst ensuring an integrated approach with corporate developers and regulated electricity network operators that fairly embeds and shares community wealth within Scotland and delivers for the whole country. Our Seven Calls to Action set out in this paper propose how Scotland can build on its strong community energy legacy, socialise benefit and leverage investment to create sustainable and thriving communities.

The opportunity: building on Scotland's strong community energy legacy.

Community energy groups are already delivering across the Scottish Government's national priorities. Through local action they add value for money in areas including affordable housing, fuel poverty, economic development, and health and wellbeing, often in locations that are hardest and most expensive for local and national government to deliver in. If further enabled, the community sector already has the solutions and experience to ensure any investment will strengthen people, place, and wider climate change commitments.

The Scottish Government National Strategy for Economic Transformation recognises that community organisations are a foundation for achieving success economically as they are “best placed to identify the actions and opportunities that matter to them and ensure that they share in economic success.”[1] The Programme for Government 2023-24 sets out its primary objectives as:

- *Equality:* tackling poverty and protecting people from harm
- *Opportunity:* Building a fair, green, and growing economy
- *Community:* Delivering efficient and effective public services

Linked to all these priorities is the Scottish Government’s ambition to develop a wellbeing economy underpinned by community wealth building. Community energy and community benefits have the potential to drive this agenda forward in a just and transformative manner, generating long-term cyclical community wealth creation.

In its 6th Carbon Budget[2], the Committee on Climate Change also stated that people will need to be more actively involved and supported to make low carbon choices on travel, heating, consumption, food, and be better involved in decision-making if they are to help facilitate the transition to net zero. The report highlights that fairness is fundamental to public support and that ‘only a transition that is perceived as fair, and where people, places and communities are well supported, will succeed.’

The Community Energy Scotland State of the Sector Report highlights the sheer scale of the achievements and value of the community energy sector in Scotland. In 2021, 103 respondent community energy organisations provided employment to 192 FTE staff, 26 of whom were newly employed in 2021. Community-owned energy developments have a significantly higher impact on local economies and wellbeing than private developments, with an average of 70% of organisational expenditure being spent locally, building wider community wealth.

A 1GW target for 2030 of wholly owned community energy, which represents 50% of the current Community and Locally Owned Energy target could deliver £170 million directly into communities through earned revenue annually.[3]

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[1] Scottish Government (2022), “Delivering Economic Prosperity”
[2] Sixth Carbon Budget - Climate Change Committee (theccc.org.uk)
[3] Taking the standard annual community benefit payment of £5,000 per MW installed and multiplied across 1 GW, and multiplied by the average income wholly owned community energy produces – 34 times that of community benefit (see following Aquatera (2021) report)

The challenge: bringing support for Scottish communities up-to-date

Two decades of successful delivery in the community energy sector provide a wealth of experience to draw on for the next generation. But despite the fact that the community energy sector in Scotland was in the past internationally unrivalled, progress has slowed, and it is now at risk of significant decline.

Mature generation projects are starting to reach end of life without clear paths to continue; 25% of Scottish community energy groups do not have capacity to apply for funding support; and in 2021 for the first time in several years, no new community organisations reported involvement with a renewable electricity generation project.

In the context of significant upscaling of generation and development of the wider energy system, this highlights a pressing need to:

- Address barriers to community groups implementing new projects and to raise ambitions for the sector, recognising what community energy can achieve.
- Remedy aspects that have not delivered as was hoped, especially in relation to shared ownership of large generation assets and implementation of larger scale community benefit initiatives.

Overcoming these barriers to delivery in a new era of energy developments will require government, industry, and community groups to work together and build a new economic engine for Scotland's communities.

Unfortunately, 'shared ownership' (where communities have a credible role and share in a development) has also largely failed to deliver the opportunities for communities that were widely expected. New renewable energy developments and repowering onshore wind can still deliver on this ambition if communities and the private sector are better supported to work together at the earliest stage possible.

Communities have also benefited from the normalisation of community benefit payments and the Scottish Government's good practice principles. However, these are not mandatory and without stronger oversight and strategic coordination, in practice, community benefits have often been unequal, inconsistent, and unenforced across developments and communities. The Scottish Government has the opportunity to review how community benefits are delivered in Scotland to maximise the benefits of significant private investment for communities in a way that is just and equitable and contributes to its own community wealth agenda.

1.1 Our Seven Calls to Action:

Further detail on all these points can be found in section 3.

1. **<u>Accelerate growth in the community energy sector:</u>** the Scottish Government must acknowledge and encourage the distinct and significantly greater local impacts and benefits of community owned energy. A working group should be established to create a roadmap of support to accelerate progress in the sector. This should include a review of government ambition and how this ambition is delivered.

2. **<u>Set a wholly owned community energy target – 1GW by 2030:</u>** the Scottish Government should review the Community and Locally Owned Energy target and what is included in this within the redrafted Energy Strategy and Just Transition Plan. **Setting a wholly owned community energy target of 1GW by 2030** will demonstrate a clear ambition, provide certainty for local investors, and should be reinforced with an extended target for 2045. A specific target for credible community shared ownership should also be created.

3. **<u>Address opportunities and challenges arising from repowering:</u>** mass repowering of existing onshore wind generation will be a significant challenge in Scotland over the next 10 to 20 years, but also creates opportunities for communities. **We call, therefore, for a short-life working group to be created with representation from Scottish Government, local authorities, private developers, and community representatives to undertake a comprehensive review of the repowering process and ensure that these challenges and opportunities are identified and acted on.**

4. **<u>Increase uptake of shared ownership opportunities:</u>** the Scottish Government should review how shared ownership opportunities can be made more attractive and accessible to communities, including **a mandatory requirement on the private sector to engage with communities at the earliest stage of any development, and introducing support programmes to enable communities to engage in shared ownership opportunities.** The new shared ownership support framework proposed in the Onshore Wind Deal must be produced in consultation with the community sector**.**

5. **<u>Mandate developers to report on community benefits</u>** should be implemented by the Scottish Government to allow effective monitoring of good practice, social return on investment monitoring and public transparency of these arrangements. **This should include an obligation for private developers to regularly update the Community Benefits Register.**

6. **<u>Update Good Practice Principles for Community Benefits:</u>** the Scottish Government must work urgently to review its onshore good practice guidance as well as to link this with the emerging offshore funds and Transmission Network Operator Community Benefit funds to ensure that community benefits

payments are unrestricted and remain fair and proportionate. **Community benefits should be indexed to the consumer price index to be in line with Contract for Difference strike prices.** Where existing community benefit arrangements are in place, it is important these continue and are renewed when ownership changes or sites repower.

7. **Create of a Scottish community wealth fund:** the Scottish Government and private sector partners should use a proportion of **community benefits from onshore, offshore and transmission network developments to create a Scottish community wealth fund to support the delivery of a just transition to Net Zero for all communities across Scotland, not just those located nearest to developments.** Capacity building support for communities to access these and other funds should be included to support communities' growth and agency in the energy system.

1.2 How Our Seven Calls to Action link with current policy

As public sector resources become ever more constrained, communities are working hard to ensure they remain sustainable and resilient with key services and facilities secured. We have seen that strong stable revenue streams from directly owned community energy or long-term community benefit schemes deliver sustainability and security for local people.

However, there are growing challenges in ensuring this continues. Current opportunities for communities to develop their own fully owned energy developments are limited. Additionally, opportunities for shared ownership are not being realised.

The current national good practice principles for community benefit payments from onshore renewable energy are outdated, non-mandatory, and lack credibility in communities across Scotland. A concerted approach is required to review and update funding mechanisms to support community-led development and to ensure that community benefit schemes from onshore and offshore renewables as well as transmission network investment build long term wealth for communities across Scotland.

1.3 Improvements to the current policy position to support our 7 calls to action

1.**There is a lack of clarity in policy as to what constitutes community benefits, shared ownership, and community ownership**. In the draft Energy Strategy and Just Transition Plan (redraft due early 2024) there is a concerning conflation of community benefits, shared ownership, and wholly community owned energy. In Section 2 below, we have outlined further information about each of these in turn and suggested how this can be improved for better clarity and reporting.

2. **Scottish Government community energy targets are flawed.** The Scottish Government's Community and Locally Owned Energy target includes both community and less well defined "local" installations; with such a range of different individual organisations that only 11% of total operational capacity counted towards the 'Community and Locally Owned Energy' target was actually owned by community groups (rather than e.g., farms and estates). We therefore ask that a distinction be made between different categories given the difference in impact on the local community. A specific target for 100% community-owned energy should be committed to.

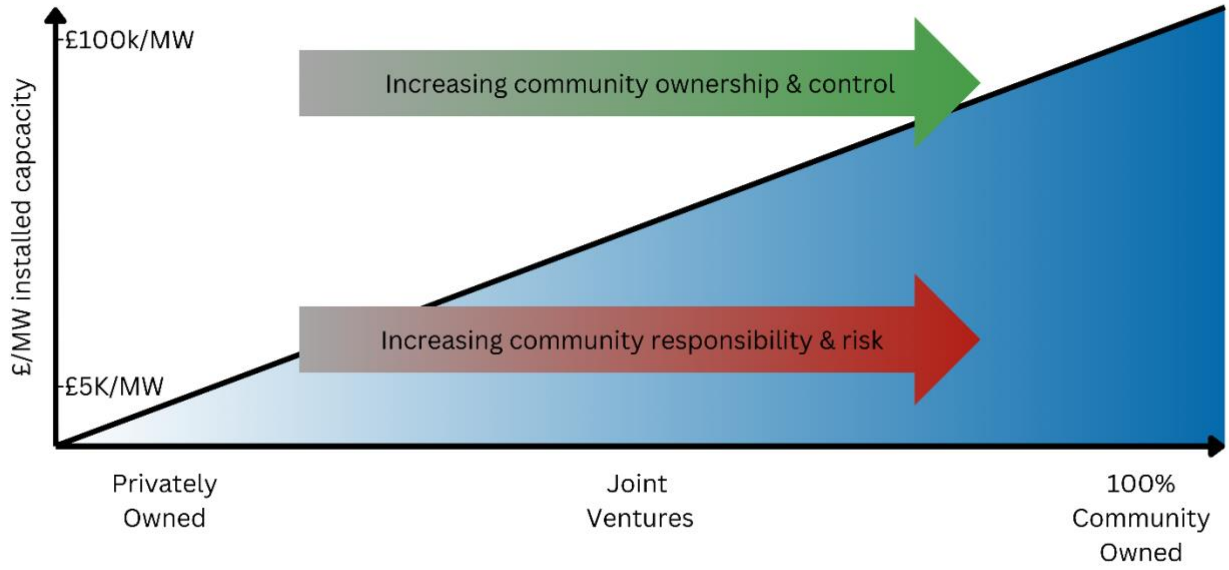
The Scottish Government unfortunately failed to reach the target of 1GW of community and locally owned energy by 2020, so there is a need to review current policy and delivery mechanisms and to create a roadmap to accelerate development to meet its next milestone of 2 GW by 2030. Compared to countries such as Denmark, where over 50% of installed wind capacity is owned by local communities, the Government is falling short on its stated targets. We welcome the opportunity to support the Scottish Government in production of this roadmap.

3. **Scotland is failing to take advantage of the transformational possibilities of community owned energy**. Community ownership of a key element of the renewables sector – onshore wind - has been shown to provide 34 times more financial benefit to the local community than privately owned developments, as made clear in the Aquatera report (2021) '*A comparison of the financial benefits arising from private and community owned wind farms: Report to Point and Sandwick Development Trust'*:

"Wholly community owned wind farms provide benefit payments that are, on average, 34 times more than the new private industry standard. In cash terms, the average payment from the community owned wind farms in our study is £170,000 per installed MW per annum compared to the private industry standard of £5,000 per installed MW per annum. This is a very significant difference and highlights the long-term financial benefit that these projects bring to the local communities and communities in which they are sited." [4]

This disparity in revenue and control makes the conflation of different categories of 'local ownership' with community ownership, and of full community ownership, shared ownership, and community benefits all the more limiting. The below diagram clearly shows the relationship between ownership level – installed capacity – ownership and control – and responsibility and risk.

[4] Aquatera (2021), 'A comparison of the financial benefits arising from private and community owned wind farms: Report to Point and Sandwick Development Trust"



Credit: Mark Hull, Community Energy Scotland

2. Opportunities for community participation

Based on activity and experience over the past two decades, below we initially summarise and then detail the differing arrangements communities can have with renewable energy developments and network infrastructure, tiered by the benefits and impact each has for communities. All of these have value in and of themselves, if done well and in conjunction with the communities involved.

1. **Renewable (or other) energy asset that is wholly owned by a qualifying community organisation** and generates significant revenue for the owner – the "Scottish community owned revenue generation" model. The qualifying organisation in this model tends to be a member-based social enterprise, for example Charitable Development Trusts with a wholly owned trading subsidiary. This model is tried and tested across Scotland, successfully delivering revenue to communities for two decades.
2. **Credible shared ownership,** where meaningful ownership of a revenue generating asset allows proportionate opportunity and responsibility for financing and operation by a community organisation, and full control of their proportion of revenue generated. To date, there are few, if any, examples of this working well between community groups and the private sector.
3. **Good practice community benefit arrangements** whereby the majority or all of a revenue generating or network asset and its revenue is owned, controlled and operated by a third party, which then provides benefits that are: regular and reliable over a sustained period (normally the lifetime of the project); proportionate and fair when considering the size and nature of the project;

and with unrestricted control over the spending decided on by the community (as long as it benefits the community).

4. **Ad hoc community benefit**, where there are no formal agreements in place, but a developer, **network operator** or community have recognised or can measure some benefit to a community from a third-party revenue generating asset. Examples of this type of support include funds created by developers to bid into, ad hoc sponsorship of community initiatives, or irregular funding initiated at the request of the community. This does not represent good practice. Where ad hoc funds are the only option, consideration should be given to using these funds as initial funding for projects that have longer term impacts.

2.1 Wholly community owned

For a project to be classed as one hundred percent community ownership, the party involved needs to be a properly constituted and fully mandated qualifying community organisation.

What is a Community Organisation?

- Community groups are non- or more-than- profit organisations
- They are formed by members of a community and take forward work in the interest of that whole community
- Revenue generated is reinvested or distributed, and assets locked, for the benefit of the community
- In community energy, community organisations work to create a stake for communities in their future energy generation, storage, use, and supply.

Two further conditions must be met in order to be considered community ownership. Firstly, legal ownership over and responsibility for assets, contracts, and finances etc. are a core component of wholly owned community energy.

Secondly, ownership also refers to the community's agency to make decisions relating to the development. This includes credible control in the enterprise and use of any revenue generated which must be led by, in the interest of, and perceived widely to be in the interest of, the community. Ownership of decision-making also applies to repowering and end of life planning for developments.

Ownership is best realised when the assets, generation, and all funds and resources from a community energy project are wholly owned by the community in question. Now tried and tested across Scotland, community ownership offers by far the widest benefits and a model for substantial expansion across Scotland.

However, we do recognise that wholly owned community energy may not be either the ambition of, or best fit for, every community. This in part is why:

- Communities require support to build capacity where it does not already exist. It is essential that the Scottish Government recognises the need to provide this capacity building support if they are committed to avoid a postcode lottery of development. Community energy should not only be an option for communities who have existing structures, skills, and capacity to take on these projects, but rather available to as many communities as possible. Scottish organisations responding to the State of the Sector survey received £2.8 million of funding for community energy in 2022, 88% of which came from the Scottish Government CARES programme. Yet 25% of existing community energy groups stated a lack of capacity to act on this capital support.
- Greater clarity and support for communities on credible shared ownership is very important and shared ownership must be seen as an accessible and credible alternative for these communities.

2.2 Credible shared ownership

If qualifying community organisations enter into shared ownership agreements, they should ensure that regardless of the type of partner – be they private, regulated, public, or third sector – the development adheres to qualifiers including:

- Proportional revenue and representation
    - Community groups engaged in credible shared ownership developments must be 1) the direct recipient of (proportionate) revenue generated, and 2) have proportionate representation on any trading board or other governance structure that acts as an arm's length body to manage revenue generation and asset management.
- Decision making power at every stage of operation
    - Communities engaged in credible shared ownership development must be involved in the governance and decision-making processes (with proportionate influence relating to ownership level) overseeing the development at all stages of operation, including end of life, repowering, or a decision to sell.
- Accountability & Responsibility

  - Accountability and responsibility are fundamental elements of wholly owned community energy and a metric of shared ownership. Because of this, credible shared ownership will most likely involve a degree of risk for the community. These can be mitigated and underwritten to large degree. But if risk is not present at all, then the development most likely does not confer credible ownership on the community.

- Ownership of assets and/or revenue streams
  - Proportionate physical asset ownership is the most tangible and clear indication of shared ownership.
  - However, we do not consider asset ownership in itself to be a limiting factor, as communities can enter credible shared ownership developments without owning a fixed asset(s). In this case, community organisations would still maintain proportionate responsibility for governance and control of revenue streams.

- Percentage of ownership
  - We do not feel a de minimis percentage should be set to judge credible shared ownership. Instead, the factors outlined in this paper should be taken as a means to assess credibility.
  - As the percentage ownership decreases, the possibility of credible shared ownership generally decreases. However, with the right measures and governance, this challenge can be overcome to ensure credible but proportionate community representation and control.

Shared ownership offers an opportunity to partly overcome the geographic inequality associated with community ownership and benefit. Urban communities simply have fewer available sites to develop revenue generating energy assets, and are rarely in qualifying proximity to commercial wind farm developments to receive benefit payments. Communities from all areas of Scotland should consider partnerships to take forward shared ownership. Likewise, urban communities must be supported to look further afield for shared ownership opportunities with developers of any kind, and developers should be supported to reach out to more communities than just those within a limited distance from developments.

Any targets on community shared ownership set by the Scottish Government should explicitly target and monitor shared ownership with community organisations, as defined in section 2.1. Where there is shared ownership between developers and individuals, farms, estates or other companies and organisations, these should not be counted towards such targets if they do not meet these criteria.

What is not credible shared ownership?

Non-credible shared ownership or profit share of a renewable revenue generating asset or network asset does not allow credible control of either the operation of the asset or the revenue dispersed from it, so can be considered "quasi-ownership" or "de facto community benefit" arrangements.

Shared ownership covers a broad spectrum of arrangements between community groups and another actor – be they private, regulated, public, or third sector. This breadth risks conflating credible shared ownership as outlined above and non-credible shared ownership which we argue differs substantially. Markers of non-credible shared ownership include:

- Insignificant/minority part ownership or profit share of a renewable revenue generating asset that does not allow credible control of either the operation of the asset or the revenue dispersed from it. These are "quasi-ownership" or "de facto community benefit" arrangements. We do not oppose community benefit arrangements but argue that these should not be called shared ownership when that shared ownership is not credible.
- When there is a very small proportion of ownership by a community in any development. In this case it is difficult to be credible shared ownership unless there are further arrangements, agreements, or structures in place to allow tangible and clear evidence of decision making and influence over and above a passive community benefit arrangement.

2.3 Good Practice Community Benefit

Community benefit in the context of commercial renewable energy developments is an inherently external developer led activity. Historically, it has almost always delivered much lower levels of direct, and indirect, financial, and non-monetary value than comparable activities and arrangements involving community ownership. It should only be encouraged in instances when none of the potential types of community ownership described above can be realised. However, it also involves proportionately much lower levels of required activity and therefore responsibility for communities.

Where a community benefit programme is implemented, it can be improved and supported by being provided in ways that are clearly transparent, as fair as possible and in a non-discretionary, sustained, predictable and continuous fashion. This will avoid boom/bust funding cliff edges, retain any value provided over time, and increase embedded resilience and the ability to act and respond to unforeseen challenges by the recipients of support.

Factors to be considered in evaluating best practice community benefit include:

- Benefit payments - these should reliable, regular, and predictable over a sustained period, normally over the lifetime of the project
- Proportionate and fair when considering the size and nature of the project
- Condition-less spending by the developer or network operator with total control over spending decided by the community as long as it benefits the community
- Does not have to be limited by geography and proximity to the proposed development

Community benefit payments have historically been given solely to communities in proximity to developments. While this has been extremely positive for many communities, it has created a postcode lottery in which some communities gain large sums of yearly income, while others receive none.

Review is long overdue of the Scottish Government's Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments of £5,000 per MW installed community benefit payment. When compared to 2010, these payments are now only worth £3,387.14 when accounting for inflation.

Additionally, the increasing size of turbines and doubling of onshore wind by 2030 escalates the level of impact on, and interaction with, associated communities, emphasising the need to review this system to be fit for purpose for the next generation of renewable energy development. Good practice principles should be annually reviewed by the Scottish Government with partners and community representatives, particularly given the current pace of change and development.

Currently, good practice principles do not exist for offshore renewable energy and the Scottish Government has not yet adopted any clear position on this. The Scottish Government guidance currently in development for community benefits from offshore must meet or exceed the good practice guidelines currently in place for onshore developments.

In the case of electricity transmission infrastructure, the UK Government has been consulting on its community benefit proposals , with further guidance coming in June 2024. The regulated transmission operators: National Grid, SP Energy Networks and SSEN Transmission will deliver these funds in line with soon-to-be-confirmed UK Government requirements.

2.4 Ad Hoc Community Benefit

Like ownership of energy assets, above, there are varying types and levels of community benefit offers reflecting how much certainty, control, and "ownership" the community party has secured over the revenue stream arising from the benefit arrangement. For example, some developers deliver community benefit payments of £5,000 per MW installed (in line with the Scottish Government's good practice principles) to be used wholly at the discretion of the community. However, other developers provide below the good practice guidance, or no community benefits at all, and some give specific grant contributions or donations with onerous criteria, as opposed to direct standard payments to community groups. Ad hoc community benefit payments can have positive impacts, but compared to good practice community benefit programmes, they seriously undermine communities' ability to forward plan, create long term change, and take forward larger projects. To create sustainable communities, we must press for normalisation of community benefit that is reliable, regular, and predictable providing a proportionate income to recipient communities. Communities can then take ownership of that revenue stream and the responsibility and agency that come with that income.

Examples of ad-hoc community benefits that do not represent good practice include funds created by developers to bid into, ad hoc sponsorship of community initiatives, or irregular funding initiated by request of the community. Where ad hoc funds are the only option, consideration should be given to using these funds for activities that have longer term impacts, such as funding community development officers within existing trusted organisations to support local capacity building, or one-off funding for projects that can in turn create long term income for communities e.g., community energy projects, developing a local cafe or developing affordable housing.

3. Our Seven Calls to Action in detail

Opportunities for community groups to get involved in the energy sector through full community ownership, shared ownership and good practice community benefits are not currently being maximised. This in turn means that opportunities are being missed to have positive impacts on people across Scotland. These seven calls to action outline improvements that are necessary to deliver on the Scottish Government's ambitions:

3.1 Accelerating growth in the community energy sector

The past decade has demonstrated a failure to realise the enormous opportunity for community energy in Scotland. While we have a strong community energy sector, it has not continued to grow at the same pace as private energy development and must catch up through substantially accelerated growth. The Scottish Government has failed to meet its own Community and Locally Owned Energy target, which was created to support increased community energy development. A commitment to review the now significantly changed context community energy developments face through the creation of a working group is needed to tackle issues such as repowering amongst others.

The next phase of mass renewable energy development and new, electricity network investment, cannot pass communities by as it largely has done over the past ten years. The Scottish Government must recognise the distinct and significantly greater local impacts and benefits of community owned energy and outline in the redrafted Energy Strategy a roadmap of how government will provide support to accelerate progress in the sector.

As part of this roadmap, a review of the CARES programme should be undertaken. CARES is a positive initiative that has shown Scotland's clear leadership across the UK in developing community energy. However, it now requires review to be robust and useful as onshore wind and solar begin significantly scaling up, to ensure that opportunities for community energy are not side-lined by the private sector.

3.2 Setting a wholly owned community energy target - 1GW by 2030

The Scottish Government should review the Community and Locally Owned Energy targets and categories in the redrafted Energy Strategy, and should clearly differentiate between community ownership and other types of 'local' installations. Only 11% (2022) of the operational capacity counted towards the target is wholly community owned (in comparison to 41% owned by farms and estates, which do not truly represent local or community energy). A separate target must be set for wholly community owned energy projects ensuring that the proportion of community owned energy contributing towards the 2GW Community and Locally Owned Energy target increases substantially. Setting a wholly owned community energy target of 1GW by 2030 will demonstrate a clear ambition. Additionally, long term commitment to both the Community and Locally Owned Energy target and the new wholly owned community energy target should be reinforced with extended targets for 2045, in consultation with the sector.

Additionally, clear differentiation should be made between wholly community owned installations and credible shared ownership arrangements. The Scottish Government should consider creating separate targets on community shared ownership. These should explicitly target and monitor shared ownership with legitimate community organisations. Where there is shared ownership between developers and individuals, farms, estates or other companies and organisations, these should not be counted towards such targets if they do not meet these criteria.

3.3 Addressing opportunities and challenges arising from repowering

Mass repowering of existing onshore wind generation – regardless of ownership – will be a significant challenge faced by private, public and community energy developments over the next 10 to 20 years. For many developments, there will likely be a need to change technology type or scale or use different business models and, in contrast to the situation during the initial build, there are now some local systems and local social/community expectation and dependencies established over the periods of operation and significant risk of erosion and reversal of the progress and strengthening achieved to date.

However, for the community energy sector, this era of repowering not only raises challenges – for practical and economic repowering of existing community energy assets and ensuring that community energy is not side-lined by upscaling private developments - there are also many opportunities that could be leveraged for the community energy sector with the right support. For example, communities may be able to buy generation sites from private developers to repower (even a potentially radical utilisation of the community right to buy policies of recent decades?), acquire second hand generation assets to refurbish, enter new shared ownership opportunities or review existing community benefit agreements. A short-life working group should be created with representation from Scottish Government, private developers, and community representatives; to undertake a status mapping and review, to ensure that these opportunities are identified, and that the private and community sectors are supported to work together to ensure that Repowering plays its part in the just transition.

3.4 Increasing uptake of shared ownership opportunities

Shared ownership has the potential to make a significant impact in Scottish communities, and shared ownership is a stated objective of the draft Energy Strategy and Just Transition Plan, but there is a lack of information available about any successfully implemented shared ownership projects. Case studies of any examples should be shared widely.

The process for communities to engage with shared ownership opportunities needs to be more standardised and supported. A one size fits all approach should by no means be adopted, but there is an opportunity to upskill and create useful templates and resources for communities and developers at the earliest stage of any development. The private sector also raised the concern about lack of shared vision in the recently signed Onshore Wind Deal, suggesting that there is no clear picture of what the stated Scottish Government ambition is intended to lead to.

The Scottish Government’s 2019 Good Practice Principles for Shared Ownership of Onshore Renewable Energy Developments provide a useful route map and outline of responsibilities to facilitate shared ownership, but delivery on this ambition has fallen short. The Scottish Government should create a dedicated and sustained resource to enable communities to engage with shared ownership opportunities at the earliest possible stage. This support should include upskilling, professional and legal advice, and project development. It will also be necessary to create a mechanism mandating the private sector to engage with communities at the earliest stage of any development, to adhere with the existing good practice principles. The framework to support shared ownership proposed within the Onshore Wind Deal (to be published in 2024) must be developed in consultation with representatives from the community sector.

3.5 Mandating developers and network operators to report on community benefits

The Community Benefits Register is a useful and valuable tool to understand the national picture of community benefits. Equally, the tool can be a powerful resource for groups to lobby and hold the Scottish Government to account. However, the data on community benefits is patchy - not all developers have provided information, and where there is information, the figures do not give sufficient information to judge whether good practice principles are being followed. Additionally, there is a lack of understanding about how that money is being used. This undermines any notion of good practice, restricts our ability to identify communities requiring support, and creates a postcode lottery of data availability.

Mandatory reporting on benefit schemes by developers and network operators should be introduced to bring the register up to date and provide an accurate picture of how community benefit is being delivered across Scotland. This should include an obligation for private developers and network operators to regularly update the Community Benefits Register. Furthermore, effective monitoring supports public pressure on the government and developers to adhere to good practice guidelines. A more in-depth understanding of varying levels/arrangements of community benefit will empower communities to engage with developers with greater awareness.

3.6 Updating Good Practice Guidelines for Community Benefits

For onshore renewable energy projects, The Scottish Government's Good Practice Guidelines state that "while we will continue at a national level to promote a community benefits value of equivalent to £5,000 per installed MW per year, we do understand that some renewable energy businesses will seek to offer a more flexible package of benefits in keeping with their ambition to offer the lowest cost energy for consumers." This must be reviewed and set at a higher threshold given a) the stagnation in benefit payment levels over the past 15 years, and b) the increasing scale of development. A standardised minimum payment level that is indexed to the consumer price index to be in line with Contract for

Difference strike prices must be introduced to ensure community benefit remains fit for purpose in the next generation of energy generation development.

Good practice guidance does not yet exist for offshore renewables and the sector and/or the Scottish Government have not adopted any clear position on this. The Scottish Government guidance currently in development for community benefits from offshore wind must meet or exceed the good practice guidelines currently in place for onshore developments. We would strongly welcome immediate work with the community sector on designing these principles. For transmission operators, further guidance is expected from the UK Government in June 2024 which should be linked with conversations relating to onshore and offshore generation revenues.

Any updates to, or new, good practice guidance, should also consider the opportunity to share benefits more widely across Scotland, e.g., through the creation of a community wealth fund (see below).

3.7 Creation of a Scottish Community Wealth Fund

Due to the fact that most large onshore wind developments to date have been located in areas with low or dispersed populations, many very small communities have received significant community benefit payments, while their immediately neighbouring communities or other communities in other areas have not had the same opportunity. It is important to acknowledge the positive impact benefits programmes have had on communities nearby developments, and also that in many cases prior to this support, many of these communities, most of whom are located in rural and island areas, have traditionally faced the highest levels of fuel poverty and poorest levels of housing energy efficiency and these funds have often made significant progress in overcoming inequality that has persisted for decades.

However, there are also significant levels of deprivation in other areas, including in densely populated urban areas that would not be suitable for onshore wind, and the Scottish Government should review current distribution of community benefits and whether there is a more equitable way in which a proportion of these can be socialised. For instance, after distributing to communities located nearest to the developments, a proportion of community benefit funds from onshore, offshore and electricity transmission developments could be gathered to create a national Scottish community wealth fund. This would ensure that communities across Scotland (not only those nearest to generation or transmission assets) can access and benefit from the expected society-wide investment in our transition to Net Zero.

Ideally, this fund could be used to invest in community energy projects or other projects that lead to cyclical local wealth building (such as opening local shops or businesses) and underpin a new generation of community-led enterprise and resilience. Capacity building support should also be given to communities to access these funds and /or to manage them (e.g., upskilling in governance or finance), especially where communities have not previously had access to high levels of income. More than a decade of experience from community energy - and the community anchor organisations that have been supported by its activity - shows that focussed investment in community skills empower communities far beyond simply managing community benefit revenue in their area.

Governance of any Scottish community wealth fund would need careful consideration and should involve representatives from across the community sector.

4. Conclusion

We reiterate the opportunity and need for strong government leadership to ensure that our national decarbonisation does not leave communities behind. Our Seven Calls to Action propose how we can work with government, industry, and communities to do that.

Community groups are delivering not only for their communities, but for local and national government across diverse areas. By taking a proactive approach and working in partnership with industry and community sectors, the Scottish Government would ensure its community wealth building agenda and deliver a wellbeing economy.

We urge government to work with us, heed our call to action, and grasp this enormous opportunity to support our communities across Scotland prosper in a just transition.

5. Contact Details

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