

COMMUNITY BENEFITS FROM WIND FARMS

On the 13th November 2004 The Southern Uplands Partnership, Scottish Borders Community Councils' Network and Scottish Borders Rural Partnership held a seminar to help communities get maximum benefit from the wind farm developments in their locality.

A summary from notes provided by three of the speakers are shown below:

**1. Una Lee, Sustainable Development Officer, Highland Council.
*Community Benefit from Wind Farm Development***

**2. Martin Meteyard, Cooperation and Mutuality Scotland.
*Baywind Energy Co-op & Energy4All Ltd***

**3. Margo Smith, Castlemilk Economic Development Agency
*Castlemilk & Carmunnock Community Urban Wind Farm***

The Southern Uplands Partnership is planning other events relating to renewables, if you would like to know more please email piptabor@sup.org.uk to be added to the contact list.

**1. Una Lee, Sustainable Development Officer, Highland Council.
*Community Benefit from Wind Farm Development***

WHAT IS COMMUNITY BENEFIT?

Community Benefit is a "goodwill" contribution voluntarily donated by a developer for the benefit of communities affected by development where this will have a long term impact on the environment.

RENEWABLES IN THE HIGHLANDS - HISTORY

The Highlands are no stranger to renewable energy development, there is a long association with electricity generation from renewable energy, going back to the immense hydro schemes of the post-war period, whose construction brought significant economic benefits to remote rural areas and perhaps more importantly, brought power to the glens. A number of micro-hydro schemes have been developed in the last decade, and in 1996 the Highlands first windfarm was constructed at Novar Estate, about 30 miles north of Inverness. At present there are 36 windfarms and 22 hydro schemes operational or in the planning system – the Highlands are experiencing a major development rush.

THE HIGHLAND COUNCIL STRUCTURE PLAN POLICY

Renewables development is putting the Highland environment under pressure and this is where the Council's policy on Community Benefit comes in.

"Where a development will have a long term impact on the environment contributions will be sought towards a fund for local community initiatives..."

This policy wants driven by far-sighted visions of wind turbines populating the Highland landscape. It was a response to large-scale mineral extraction, such as

the superquarry that has been operating at Glensanda in Lochaber since the mid-80s. **It is a response to development – like renewable energy – that is perceived to be exploiting the Highland environment and resources without clear and direct benefits for those who live and work in the area.**

KEY DRIVERS

The Council has a community benefit policy in its Structure Plan, but there are a number of external drivers that are very important in determining whether and how communities affected by renewables development can secure community benefit. These drivers are as relevant in the south of Scotland as in the north.

- Most renewable energy developers are willing to contribute community benefit; they see it as a good-neighbour gesture and a way of securing long-term working relationships with the communities in which they operate.
- Across the UK windfarm developers have been making community benefit contributions for over a decade and the Highland precedent is at the Novar windfarm where since 1996 the developer has made an annual index-linked community benefit contribution that is currently worth approximately £1150/MW of installed capacity.
- Since 1996 government incentives to increase the amount of electricity generated from renewables have significantly increased the value of this electricity. And this is the principle reason why the Highland Council is campaigning for community benefit levels to increase well above the 1996 threshold.
- Crucial is the voluntary nature of community benefit contributions. A local authority has no power to force a developer to make this type of contribution, it cannot be made a condition of planning permission. The contribution is therefore based purely on goodwill.

2 STEPS TAKEN BY HIGHLAND COUNCIL TO IMPLEMENT THE COMMUNITY BENEFIT POLICY.

1. Guidelines produced for developers which were adopted by the Council in April 2003. The key features are:
 - A very clear commitment to establishing a separation between the planning process and community benefit negotiations to make sure that the impartiality of the planning process is safeguarded
 - The guidance called for community benefit levels – or their equivalent in equity – to rise from the 1996 rate to at least £4000 - £5000/MW. Equity refers to any benefit that enables a community to buy into or take ownership of any part of a commercial development.
 - Community benefit funding belongs to the Community and should be held independently by some sort of legally established framework like a Trust Fund – it is certainly not the Councils money and it is not up to the Council to decide what it is used for.
 - The Councils preferred option is for developer to negotiate directly with community representatives but where it isn't

practical or feasible Council officials will facilitate the negotiation process. Having set down the requirement for developers to negotiate directly with communities there was an obligation on the Council to provide community support.

2. The Community Renewables Toolkit, developed in collaboration with the Community Energy Unit at Highlands and Islands Enterprise to raise awareness of how communities could benefit from both renewable energy production and use. The toolkit has two themes – community ownership and community benefit from commercial development. (Copies of the toolkit can be downloaded from the Highland Council website).

COMMUNITY OWNERSHIP

The Toolkit community ownership section draws attention to the work of HIEs Community Energy Unit, which is responsible for delivering grant funding and technical advice for community renewables projects across the Highlands and Islands, through the SCHRI programme. The kinds of projects involved are:

- Small scale wind turbines
- Ground source heat pumps
- Woodfuel boilers
- Solar powered lighting.

COMMUNITY BENEFIT

A large section of the toolkit is devoted to community benefit and the main feature is a Roadmap and series of back-up tools. The roadmap suggests a route through the negotiations process, referring to the relevant tool and signposting sources of help. (The roadmap is not directly transferable to any community in Scotland because the sources of help are Highland specific).

WHAT IS HAPPENING IN THE HIGHLANDS?

- Community benefit discussions are underway in association with at least 15 windfarms and 3 hydro-schemes. There is no distinct pattern to how these deals are being brokered. In a small number of cases the developer is negotiating directly with local community representatives, and some of these negotiations involve Councillors. Elsewhere Council officials are involved in facilitating negotiations and in one location the Council is negotiating on behalf of communities. A third scenario involves the Councils arms-length economic development company, Highland Opportunity Ltd – who have set up a professional support team that communities can call on to represent them.

AGREEMENTS

In August 2004 the outcome of the first two agreements was finalised since the introduction of guidance in 2003, both developments are windfarms.

Farr on the south side of Loch Ness.

NPower is proposing to develop an 82MW windfarm and the community has accepted an offer to receive an annual payment of £1157 per MW supplemented by a lump sum payment of £1m when the construction is completed.

Beinn Tharsuinn, Sutherland

Scottish Power is proposing to build a 30 MW development, it has been agreed that Scottish Power will make an annual fixed rate payment of £2000 per MW supplemented by another payment linked to productivity. In this case negotiations took place between a Council official and Scottish Power, with no direct involvement from the community.

In comparing these two packages, taking account of current inflation and investment forecasts, Farr is yielding the equivalent of about £2500/MW/per year and Beinn Tharsuinn an estimated £2,300 and £2,600 per MW – so both packages are similar. So while the preferred target of £4k - £5k/MW has not yet been reached community benefit offers have more than doubled from 1996 levels.

KEY MESSAGES TO COMMUNITIES FROM HIGHLAND EXPERIENCE.

1. It seems that most commercial renewable energy developers are willing to make a community benefit contribution.
2. If a community is preparing to negotiate directly with a developer it is important to focus at the outset on teambuilding. Many developers would prefer to negotiate with Council officials or professionals because there is always a risk that communities do not speak with one voice. For the best chance of engaging with developers
 - Build consensus, gather key stakeholders and find a good facilitator or chairperson to get the process up and running.
 - Concentrate on negotiating a fair deal; establish an effective negotiation team of no more than three or four people who have the appropriate skills (legal/financial/communication/media management).
 - Leave the detail of how community benefit will be distributed until later.
3. Remember the positive contribution that renewables can make to sustaining Scottish communities, in particular rural communities.

IN CONCLUSION

Communities are now faced with real “bottom-up” opportunities for action to secure benefit from renewable energy projects.

Every community in Scotland has access to grant funding and technical assistance to develop its own community renewables schemes.

Those affected by commercial development have significant opportunities to secure community benefit which may well enable the community to invest strategically in local projects with long term, lasting benefits.

Martin Meteyard, Cooperation and Mutuality Scotland. Baywind Energy Co-op & Energy4All Ltd

Scottish Executive Renewable Energy Targets

- Executive target: 18% from renewables by 2010
- Nearly all new capacity will be on-shore wind
- “Aspiration” target of 40% by 2020
- Need for **community involvement** recently underlined

What are the benefits of Community Ownership?

- Social/structural benefits
 - Local control – real Economic Democracy
 - Trust Funds and opportunities to contribute to social programmes
 - Educational potential
 - “Local” power supply security
- Economic Benefits
 - Ownership = opportunity for real economic return, not handouts
 - Greater equity = greater return
 - Return linked to site performance

Why is community ownership so low in UK?

Community must have:

- Site
- Unity and commitment
- Access to professional skills/advice
- Finance
 - risk capital in the order of £100k
 - Development capital – many £million

Most local communities cannot meet these requirements, so sector is dominated by big developers. But there is one big success story ...

Baywind Energy Co-operative

- Formed in 1996/7 in Cumbria
- Owns/runs 5 turbines at Harlock Hill (plus 1 turbine at Haverigg 2)
- Supplies power for 1800 homes
- Proven co-op structure
 - 1360 Shareholders (plus 4000+ potential investors)
 - Democratic
 - Low minimum investment
 - One member, one vote regardless of investment
 - Elected Board < 9 Directors

Baywind Financial Facts

- Risk Capital
 - supplied by Swedish sponsors
- Ownership capital
 - Public share issues raised £1.9m (minimum £300 investment, max. £20k)
 - + Co-op Bank borrowing

All “profit” distributed to members, approx. 8-10% p.a. gross return, incl. tax relief.

Member’s capital repaid in 20 years

Strong track record of financial management; backed by Co-op Bank.

Aims of Baywind

To contribute to the development of renewable energy generation in the UK

To provide a means for communities to own a share in renewable energy generation projects

To provide an attractive way for people to invest their money ethically.

Community Benefits of Baywind model.

Economic democracy in action – ownership and management retained in the community.

Economic benefits > £750k to the local economy to date.

Energy conservation Trust – 0.5% of income into ECT. Energy conservation, advice and grants.

Environmental awareness – frequent visits by education and community groups, local authorities and media.

To help others share success of co-op, Baywind created Energy4All. Energy 4All is a non profit-making management company, owned and funded by co-ops. It runs a national development programme and provides central administration and information for local co-ops. It is supported by Co-op Action.

Energy4All has two key development models, a **Community Group** format and a **Major Developer** format.

Community Group projects are smaller projects with 100% community ownership. Energy 4All establishes a new co-op and runs share offer under FSA rules and it manages the project.

Limitations – no risk capital and depends on resources of the community.

At present there is a probably Community project in Moray and half a dozen further possible projects.

Most Scottish projects are owned by big developers so Energy4All negotiates small community share (£1m+) of big developer projects, establishes local co-op, manages the co-op share offer and manages the relationship with the developer. There are currently agreements with Falck Renewables in Scotland, Wind Prospect in England/Scotland.

A Possible Co-op Structure for Scotland.

Energy4All establishes a local co-op for each site with support from Scottish Co-op and Falck Renewables. Most members are from within 30 miles and with a low minimum investment - £250. The Co-op owns a small share of the project and contributes to community activities and pays annual share interest to members. In there is insufficient local money, it is

possible to find additional investment from a national Scottish co-op created by Energy4All.

Community Ownership – The Solution?

Baywind/Energy4All offer a proven model and track record, specialist skills and services and professional management. Falck offers the chance to create local co-op to share project ownership and Community Benefit (funds for community trusts and support and encouragement for local co-op to own a share of the project and possible financial support).

Community Ownership – The Benefits

A direct stake in a major national asset which is favoured politically
Economic democracy in action
Attractive potential return on equity stake
Opportunity to divert return into community/social projects
Return of capital at project end, or use for further enterprise development.

SUMMARY

Baywind Co-op is the UKs only significant renewables co-op with an excellent track record.
Energy4All is now actively working to extend community ownership throughout the UK.
Co-operative movement is supporting the Energy4All programme
Scotland has great potential for community ownership of renewables.
Scottish programme of Community and Developer schemes. Scottish co-op/CMS support.
Flack Renewables is offering the opportunity for local ownership through Energy4All co-ops.
There is the opportunity for an ownership stake in a national asset plus democratic management and attractive ethical investment.

3. Margo Smith, Castlemilk Economic Development Agency Castlemilk & Carmunnock Community Urban Wind Farm – *An innovative approach to regeneration and renewable energy.*

CEDA

- A local Economic Development Company
- Part of a city wide network
- Offering a range of services
 - employability
 - training
 - social inclusion
 - business development
 - social economy support

Working in an area of multiple deprivation.

CASTLE MILK SOCIAL ECONOMY

- 44 organisations
- Significant local employers
- Turnover £22m +
- Employs almost 500 people
- Wide range of organisations
 - Health and Social Care
 - Childcare and young people
 - Environmental

CEDA Social Economy Team

The ECSA Social Economy Team was established in 1999. It offers a wide range of services. Key achievements to date are

- Sector turnover up 25%
- Employment up 35%
- 36% employees are local residents
- 17 start ups assisted

THE AREA

- The south side of Glasgow
- 250m elevation
- 2 distinct areas, Castlemilk and Carmunnock.

THE PROPOSAL

- Wind power and sustainability
- Caledonian University
- Castlemilk and Carmunnock
- CEDA involved

GETTING GOING

- The Steering Group
- 4 key themes (1) participation and community involvement (2) environmental justice (3) capacity building (4) sustainability

POTENTIAL BENEFITS

- Generation of sustainable finance
- A broad range of potential spin-offs
- A flagship project
- Community cohesion

NEXT STEPS

- Collection of wind data
- Full public consultation and pr
- Establish Energy Co and Charitable Trust
- Research funding sources
- Identify other development opportunities
- Create a sustainable development cluster