



Item: 6

Development and Infrastructure Committee: 1 April 2025.

**Community Benefits from Net Zero Energy Developments
Consultation.**

**Report by Corporate Director for Enterprise and Sustainable
Regeneration.**

1. Overview

- 1.1. The Scottish Government has opened a consultation on “Community benefits from net zero energy developments” which is part of the overall review of the Good Practice Principles for onshore and offshore renewable energy, for which responses are required by 11 April 2025.
- 1.2. The consultation contains two sections - Section 1: Offshore renewable energy developments and Section 2: Onshore net zero energy developments.
- 1.3. Through this public consultation, the Scottish Government is seeking the views of all those with an interest in the social and economic benefits of renewable energy development for people and communities in Scotland.
- 1.4. It seeks views on community benefits from onshore technologies, such as onshore wind, solar, hydrogen and storage and community benefits from offshore technologies, such as offshore wind.
- 1.5. The Scottish Government will be engaging with key stakeholders, including communities, industry, and the public and third sectors to build as broad a picture as possible of the potential opportunities – and limits – of community benefits from renewable energy.
- 1.6. Appendix 1 details the consultation questions and the officer responses to these from a Council viewpoint.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve the draft response to the consultation on Community Benefits from Net Zero Energy Developments, attached as Appendix 1 to this report.

- ii. Authorise the Corporate Director for Enterprise and Sustainable Regeneration to submit the response in relation to the consultation on Community Benefits from Net Zero Energy Developments to the Scottish Government on behalf of the Council, by the deadline of 11 April 2025.
- iii. Note that, due to the timescale constraints involved, the Chief Executive will be requested to exercise emergency powers to authorise submission of the response, referred to above, prior to approval by the Council.

3. Background

- 3.1. Orkney Islands Council has had an established position on community benefit from offshore wind since 2021, see Appendix 2.
- 3.2. Community benefits schemes are a well-established, integral part of renewable energy developments in Scotland, fostering a positive relationship between renewable energy businesses and local communities.
- 3.3. These schemes saw over £30 million offered by renewables developers in community benefits in the last 12 months to Scotland.
- 3.4. Since the publication of the updated Good Practice Principles for onshore renewables in 2019, Scotland's – and the global – energy system and policy landscape have evolved significantly.
- 3.5. Changes in domestic and international markets, regulation, and the emergence of technologies such as battery energy storage and hydrogen electrolyzers are shaping our future energy mix and will influence how we can maximise the benefits flowing into our communities.
- 3.6. The first Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments were published in 2015 and were intended to apply to developers in the offshore wind industry, noting that other offshore renewable sectors such as wave and tidal stream are at an earlier stage of development.
- 3.7. Some offshore wind projects in Scotland have created community benefit funds. However, the approach has not been wholly consistent across developments. In recognition of the evolving sectoral landscape, Scottish Government has committed to reviewing and updating the offshore Good Practice Principles.

For Further Information please contact:

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Implications of Report

1. **Financial** - There are no immediate financial implications arising directly from the recommendations to this report.
2. **Legal** - There are no legal implications arising directly from the recommendations in this report.
3. **Corporate Governance** – None.
4. **Human Resources** – None.
5. **Equalities** – None.
6. **Island Communities Impact** – None.
7. **Links to Council Plan** - The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our Communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan** - The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
 - Improving Population Health.
9. **Environmental and Climate Risk** – None.
10. **Risk** – None.
11. **Procurement** – None.
12. **Health and Safety** – None.
13. **Property and Assets** – None.
14. **Information Technology** – None.
15. **Cost of Living** – None.

List of Background Papers

[Community benefits from net zero energy developments: consultation](#)

Appendices

Appendix 1 – Council’s draft response to consultation on “Community Benefits from Net Zero Energy Developments”.

Appendix 2 – Orkney Islands Council Policy on Community Benefit from Offshore Renewable Energy Developments.

Appendix 1.

Community Benefits from Net Zero Energy Developments Consultation – Closes 11th April 2025

This appendix sets out the questions asked through the consultation and draft responses to each. Responses to the questions must be submitted via an online portal. The consultation is split into two main sections. Questions in Section 1 refer to community benefits from offshore wind, whereas questions in Section 2 relate to community benefits for onshore wind and other technologies, additionally exploring the Good Practice Principles.

Questions & Responses

Section 1. Offshore wind communities

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

As detailed in the current consultation paper at section1.1:

'Rural and island communities are often, although not always, those in proximity to offshore and onshore renewable energy developments. Whilst each community is unique, on average they generally experience higher living costs and more limited access to services than those in urban areas, depending on their geography, demographics and other factors. Community benefits have the potential to deliver meaningful and long-term benefits for these communities.'

This statement is strongly supported by OIC. The interests of island communities are widespread in the marine context due to our diverse marine economies, cultural, and environmental activities/interests. These include, but are not limited to, energy, environment, landscape/seascape, harbours, fishing, ferries, shipping and navigation, cables and pipelines, tourism and recreation. It should also be noted that the marine economy is proportionally more significant for islands when compared to many other rural communities, and fragile island communities can be majorly affected by offshore developments at some distance from our shores. Island communities are also more impacted by energy related issues, with higher cost of living and the highest levels of fuel poverty in the country.

We appreciate that each offshore wind development will interact with various communities in different ways and are aware that developers are lobbying that there should be flexibility in how communities are identified.

However, we feel putting the onus of the developer to determine the community may pit communities against each other and lead to inconsistent or unfair decision making. For example, developers may be motivated to assign funds to the communities who object most, and therefore communities will be motivated to raise objections to projects with a

view to being identified as the impacted community, even though they may not be the most relevant community. This would be detrimental to successful deployment of offshore wind at scale. Our view is that it would be helpful for developers and communities if the guidelines set out a clear methodology for determining recipient communities.

We feel that there is strong rationale for identifying communities at a Local Authority level. Offshore wind projects are large in scale, and a balance needs to be struck in identifying the relevant community at the appropriate scale. Not so small such that benefits are only felt by a few, but not so wide that there is no sense of the impacted 'community' benefiting. We are open to how this is achieved but see merit in simplicity. The most straightforward method would extrapolate the existing Local Authority seaward boundaries established to 12nm from coast and produce a line of best fit further out from shore. Where a project straddles 2 Local Authority areas the Community Benefit payments should be split between the two areas on a percentage basis. Using Crown Estate Scotland 'area for lease' boundaries for each development would probably be easiest boundary for this task. To be clear we are not suggesting that Community Benefit payments should be made to Local Authorities, just that the community be defined using Local Authority boundaries. A clear system such as this ought to be welcomed by developers and communities.

2. When defining the relevant communities to receive benefits from offshore wind development, which factors should be considered, and by whom? Are there any factors which are most important, and why?

There is a critical need to ensure public support for renewable projects, and community benefit payments are an important tool to ensure the support of communities negatively impacted by these developments. The link between the impacted community, and the community benefit must be clear and at a suitable localised scale if this aim is to be achieved.

We would refer to our response to question 1 which sets out that a simple extrapolation of local authority seaward boundaries would be the simplest and fairest method to identify the community.

Some of the key factors informing this view include:

- The visibility of the proposed offshore wind farm from surrounding island and coastal communities, and the associated landscape/seascape impacts.
- The location of ports and harbours used for assembly, wet storage, deployment, O&M and decommissioning phases of the development.
- Interactions with and effects on lifeline and local ferry routes/services.
- Interactions with and effects on harbour infrastructure and operations.
- Interactions with and effects on the fishing fleets, and associated processing and supply chains, of island and coastal communities.
- Interactions with and effects on existing and planned cable and pipeline infrastructure that service islands.
- Interactions with and effects on tourism and recreational activities.

- Ecological connectivity with island and coastal communities e.g. impacts on seabirds, spawning grounds for commercial fish stocks, the migratory routes of commercially important fish and shellfish stocks.

We feel that location of cable landfall and substations should not form part of the decision making for identification of community, as they are secondary to the above list and the UK government is putting in place a separate community benefit payment for grid infrastructure. There are also examples of projects, such as Stromar, located in close proximity to Caithness and Orkney, with practical impacts from the wind farm likely to impact those communities, but which has a grid connection into Aberdeenshire, which demonstrates that cable landfall does not map well with identification of impacted community.

Section 1. Maximising the impact of community benefits from offshore wind developments

- 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?

We are aware that work has been undertaken by HIE and others looking at whether establishment of a central community benefit pot in each Local Authority area, managed by a not-for-profit entity, could be a sensible way of managing community benefit from different developments/sources. This would rationalise funds available to communities, minimise administration burden, and help focus capacity building. We would support an approach such as this. It should also be welcomed by developers as it would reduce administration burden and remove the need for them to consult and determine what is appropriate.

Such an approach may require establishment of a new group to administer funds, or existing groups could be repurposed or tasked with this. One such existing group which may be appropriate to consider would be the Local Action Groups (LAGs), which have a role currently in dispersal of Community Led Local Development funding from Scottish Government. We would, however, require sight of more detailed proposals to ensure local influence before committing to any one model.

- 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?

Community should be consulted on the use of community benefit funds. As noted above, to avoid repeated consultation by various developers/projects, it is felt that centralised management within each local authority area would be a sensible approach. Ideally, communities will have developed place plans to identify community priorities to focus funding. The centralised management organisation could coordinate and assist in the production of such plans.

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

In order to maximise benefit, community benefit must be on a cash first approach. Benefits to the community from renewable energy payments are likely to focus on the following to deliver maximum benefit;

- sustainable development
- community wealth building
- investment in decarbonisation
- investment in community assets and revenue generation

It must be highlighted that local decision making is critical and that there should be no limitations or conditions placed on how community benefit payments are utilised within government guidance.

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

Per above, it is viewed that government guidelines should not direct how funds should be utilised, rather this should be determined at a local level.

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?

It states on page 17 of the consultation paper that:

'Community benefit arrangements in Scotland have typically followed a project specific application style fund, however other models have been put forward by local authorities and community stakeholders. These include proposals to use a portion of funds to support regional strategic funds, as well as for a nation-wide community wealth fund'.

We view that placing funds into 'regional strategic projects' at a Local Authority area level would have clear merits. However, we are strongly opposed to any portion of community benefit being held in a national fund. Scottish Government will benefit directly from these developments through option fees and rental payments. Those funds should be used to the benefit of the nation, but community benefit payments should stay linked to the impacted communities.

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.

Our responses to earlier questions have set out the particular and unique importance and linkage between islands and community benefit from renewable technologies. It is therefore critical that Scottish Government takes account of the impact on Islands in considering the best practice guidelines.

Section 1. Determining appropriate levels of community benefits from offshore wind

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

We believe the approach must be appropriate to the community and the developer. Offshore wind developments and the commercial opportunity therein are significant in scale, and the impacts on communities will be substantive. We expect Scottish Government to review the level of community benefits already proposed and committed by developers, as well as research and analysis undertaken, to determine an appropriate level of community benefit payment. From our own review of proposals, we consider that a value of £7,500 per MW installed capacity (index linked) would be appropriate. This reflects a figure broadly analogous with that established for onshore wind, but taking account of inflation over the time since it was established. We would be entirely open to an alternative figure linked to generation (MWh, rather than MW) to reach a similar level of payment. We note that developers are commercially incentivised to seek to minimise this level of payment. Our view is that it is important that community benefit payments from offshore wind are set at a significant level, and not less than any other technology. It is imperative that a clear value is set within the guidelines such that there is a level playing field in terms of community expectation from developers.

10 What processes and guidance would assist communities and offshore wind developers in agreeing appropriate community benefits packages?

Our view is that the Scottish Government best practice guidelines must set out a clear methodology for identifying community and must set out a clear expectation of level of payment linked to annual generation or installed capacity. If the guidelines fail to achieve either of these aims, they will be toothless, and largely pointless. Whilst we are aware that developers are lobbying for the exact opposite, that the guidelines should be vague and non-committal on identifying community and payment level, we view that clarity should be welcomed by both communities and developers, and that the Government has an opportunity now to set a level playing field for the sector in Scotland in terms of community benefit expectations.

It should be noted that lessons learnt from onshore wind best practice and shared ownership best practice, as well as third party research, must be considered and implemented in the updated guidelines to ensure that mistakes are avoided.

In that regard the Scottish Government should consider the recommendations from Just Transition Scotland in their report into community benefit from wind turbines in Shetland, which can be found [here](#).

The Orkney Community Planning Partnership's 'Vision for a climate-resilient and net zero future' report is also of relevance and can be found [here](#).

Section 1. Shared ownership of offshore wind developments

11 What do you see as the potential of shared ownership opportunities for communities from offshore wind developments?

In general terms we see significant merit in renewable energy projects with shared ownership, or even initiatives wholly owned by the community or the public sector. The money that communities can derive from wholly or shared ownership of developments are many times greater than the benefits from the community benefit we derive from purely privately funded developments. The overall scale of offshore wind projects does make significant levels of shared ownership more challenging to achieve, but we view that it could provide an interesting opportunity for communities to directly benefit from offshore wind developments. However, we also note that there are challenges around sourcing of funding and skills required to manage this type of relationship. Whilst we would welcome sight of proposals for how communities could take shared ownership of developments, we view this as being separate from and in addition to the core requirement for direct community benefit payments.

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. We expect that significant support in terms of provision of finance, and expertise would be required to make shared ownership work.

Section 2. Extending the scope of the good practice principles of offshore wind developments

1a. Which of the following onshore technologies should be in scope for the Good Practice Principles?

Wind - Yes

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

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

Whilst in general we would welcome the opportunity to extend community benefit payments to all technologies, we recognise that different technologies are at different technology readiness levels, and we do not feel it appropriate to expect community benefit from non-commercial technologies. Orkney Islands Council's already established policy position is only applicable to commercial projects and the Council recognises that some offshore renewable generation projects, particularly in the wave and tidal energy sectors, are pre-commercial.

Overall, we do not have enough experience of the various technologies listed to give a view on the appropriateness of whether they should be in scope or not.

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?

See answer 1b above.

Section 2. Improving the good practice principles

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.

We refer to our response to Section 1 questions 1 and 2 regarding identification of eligible communities.

4 Should more direction be provided on how and when to engage communities in community benefit opportunities, and when arrangements should take effect?

It is important that the guidelines set out clarity on process to streamline and standardise discussions/engagement with developers, removing inequity driven by a lack of experience or skills within community groups. The best practice guidance for shared ownership has a good and clear outline of the engagement process, however it was never enforced or monitored. We propose that this process could be reviewed and updated, but perhaps seeking/mandating more commitment from developers to follow the process.

- 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?

We feel that the guidelines should set out how to define the community and should support establishment of regional management of funds from various sources at a local authority area level, but that further detail on how funds should be used should be left for the communities to determine. They know best how to direct funds to have maximum impact in their communities.

- 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.

Per our response to other questions we feel that it is helpful if funding can reflect community priorities as identified in a place plan or development plan to ensure that investment is most focussed on what the community has identified as being its key needs. We do not feel that national development plans are of relevance for community benefits and in general we are against the best practice principles being prescriptive about how money should be spent. This should be up to the communities to decide.

- 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.

If the Good Practice Principles are clear on how community is identified, and the level at which payments should be made (linked to installed capacity or output) then changes in project status such as lifespan, ownership, size, and repowering should be easily captured and understandable by developers and community. Furthermore, if funds from various developments are managed at a local authority area level, then accommodation of project changes should be even easier, as there would be consistency in management of funds.

- 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?

As we have set out elsewhere, we see significant benefits in a coordination of community benefit payments through a single not-for-profit entity at a local authority area level.

- 9 What improvements could be made to how the delivery and outcomes of community benefit arrangements are measured and reported? For example, the Good Practice Principles encourage developers to record and report on their community benefit schemes in Scotland's Community Benefits and Shared Ownership Register. The register showcases community benefits provision across Scotland using a searchable map.

Yes, the guidelines should continue to encourage reporting of community benefits on the national register. Where possible this requirement should be strengthened, perhaps with templates for reporting and data collection to ensure consistency across developers. There will also need to be requirements set for the review process to ensure developers are upholding agreements. Government should also consider promoting good news stories from developers who are proactively contributing and upholding agreements, as well as naming and shaming developers who do not meet the best practice guidelines.

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?

Lack of experience and knowledge in communities to negotiate/ monitor/ hold account to has been a serious challenge in onshore wind. By using a local authority area model with a central governing body those members can both centralise engagement with developers and upskill, thus correcting an imbalanced power dynamic between community and developer.

Additionally, if communities have no prior experience of grant delivery or capital delivery then support may be required, either using funds externally or ideally from Scottish Government programmes.

Section 2. Setting a funding benchmark

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, the guidelines are largely pointless if they do not set a benchmark figure. This ensures a level playing field.

Important to note is that the £5k figure has not changed despite inflation. Per guidelines each project should pay £5k/MW/year in year one, index linked thereafter. It would be fairer to set a value for a reference year and expect developers to index link payments to the value in the reference year. It may also be fairer to use a 'generation (MWh)' linked value, rather than an 'installed capacity (MW)' linked value.

12a. Should the benchmark value be the same or different for different onshore technologies?

As noted in our response to Section 2 Question 1b, whilst in general we would welcome the opportunity to extend community benefit payments to all technologies and can see a strong argument for parity between technologies, we recognise that different technologies are at different technology readiness levels, and we do not feel it appropriate to expect community benefit payments from non-commercial technologies. Orkney Islands Council's already established policy position is only applicable to commercial projects.

12b. 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?

Different technologies have different capacity factors, so linking payment to generation would be fairer than linking it to capacity.

Section 2. Assessing impacts of Good Practice Principles

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.

Our responses to earlier questions have set out the particular and unique importance and linkage between islands and community benefit from renewable technologies. It is therefore critical that Scottish Government takes account of the impact on islands in considering the best practice guidelines.

Orkney Islands Council Policy on Community Benefit from Offshore Renewable Energy Developments

Statement of intent

The Council will seek to maximise community benefits from new offshore renewable energy generation developments, and to help direct these benefits fairly and equitably into supporting the communities of Orkney.

Background

Offshore renewable energy generation includes a variety of technology types including fixed offshore wind, floating offshore wind, wave energy, and tidal energy. These technologies are at different stages of commercialisation.

Installation of offshore renewable energy generation is expected to increase significantly over time, noting the Scottish Government's ambition for 11 gigawatts of offshore wind to be installed by 2030, and the significant potential for wave and tidal energy projects to be developed at scale in future.

Community benefits are a voluntary measure provided by a developer outside of planning and licensing processes, recognising that developers benefit from the exploitation of resources from a region and allowing communities to see positive effects through the lifetime of a development and to invest in a long-term legacy for generations to come.

As per Scottish Government guidelines, community benefits are not a compensation for any perceived negative impacts and are complementary to, but separate from, supply chain benefits. For the avoidance of doubt any commercial service agreement that a developer may enter into with local entities (including the Council) bears no relation to community benefit.

Policy

Orkney Islands Council's policy on community benefit from offshore renewable energy developments is as follows:

- We expect all developers of commercial offshore renewable energy projects in Orkney waters to commit to providing community benefit to Orkney and will seek to enter discussions with developers to achieve this.
- We will seek to ensure the fair and equitable distribution of benefits received as part of any community benefit scheme.
- We expect developers to enact a Community Benefit policy in line with the draft 'Scottish Government Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments' 2018, or any future updated iteration of that document.

- In the absence of a clear position from the Scottish Government on the appropriate level of community benefit from offshore renewable generation, the starting point for determining the level of community benefit which should be delivered is £5,000 per megawatt installed per year index linked (as per onshore developments).
- We do not spatially limit our interest or claim for community benefit payments for Orkney and will seek community benefit from any project in waters adjacent to Orkney, regardless of distance from shore.
- There are numerous ways in which community benefit may be delivered (whether monetary or in-kind), but developers should be able to clearly demonstrate the value of community benefit that has been provided.

The above policy relates to offshore renewable energy generation projects. Location of ancillary onshore infrastructure related to offshore generation is a separate consideration, for which the Council may seek to negotiate separate community benefit arrangements.

The Council recognises that some offshore renewable generation projects, particularly in the wave and tidal energy sectors, are pre-commercial. The above policy is only applicable to commercial projects.

The above policy does not confer support for any proposed development.