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Dear Lorne

Consultation response on Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments

Scottish Renewables is the voice of Scotland's renewable energy industry, working to grow the sector and sustain its position at the forefront of the global clean energy industry. We represent around 250 organisations working across the full range of renewable energy technologies in Scotland and around the world, from large suppliers, operators and manufacturers to small developers, installers and community groups, and companies right across the supply chain. The commercial health of Scotland's renewables sector is fundamental to meeting Scotland's 2030 50% renewable energy target and 2032 carbon reduction targets.

Summary of key points:

- Giving developers flexibility will be key at this critical stage of development.
- The guidance should be consistent in its aims for community benefits and avoid terminology that may imply that this is a compensatory mechanism.
- Responsibility for the success of community benefit packages should not rest disproportionately with the developer.

We welcome the Scottish Government's recognition that the offshore wind industry is at a critical development stage. To bring the greatest societal, economic and environmental benefits to people across Scotland, the UK and beyond, the focus of the industry must be on the successful development of projects, cost reduction and the delivery of a strong local supply chain. If we succeed on these fronts, we can deliver substantial carbon emission reductions, create thousands more jobs and continue to invest millions of pounds into Scotland. Additional community benefit packages should therefore be considered only where they are consistent with, and complement, these aims.

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Scottish Renewables welcomes the emphasis on flexibility throughout the Good Practice Principles (GPPs). Benefits to communities could be delivered in a variety of ways, and we welcome the Scottish Government's recognition that some offshore renewable energy businesses will seek to offer communities a flexible package of benefits, as well as that flexibility in the design of these packages can ensure that they are better able to reflect community needs.

If you have any questions on the comments set out in this response, please do not hesitate to get in touch.

Yours sincerely,

Stephanie Conesa
Policy Manager – Planning, Development & Heat

Consultation Questions

Question 1: Do you think that the Scottish Government's Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments remain relevant and valid? If not, what do you consider requires reconsideration or further explanation?

Renaming the guidance

The guidance states that it will be reviewed over the coming years to incorporate guidance and good practice for other offshore technologies. We suggest that the current version of the guidance be renamed "Good Practice Principles for Community Benefits from Offshore Wind Energy Developments" for clarity.

Target audience

The guidance states that, while it is intended primarily for developers of commercial offshore wind projects, "the intended readers of this document are developers, communities, local authorities and other stakeholders." We feel that the GPPs should provide guidance to all stakeholders, not just the developer. It is important for stakeholders to understand the process and buy in to how community benefit funds are developed and utilised. We feel the guidance places disproportionate responsibility on the developer and should be aimed at making community benefit a collaborative process with developers and stakeholders all taking on responsibility for the success of the fund.

Industry context

We welcome the Scottish Government's recognition that the offshore wind industry is at a critical development stage and that the industry's focus is on the delivery of offshore renewable energy projects and the creation of a "strong, diverse supply chain which will deliver sustainable benefits to Scotland and the UK through the creation of jobs and inward investment." It is important to point out that while some projects are moving towards an operational phase, many projects and technologies (including floating offshore wind and marine) are still very much at an early stage in their development.

While the GPPs allow for flexibility, they do not provide sufficient context to explain to stakeholders why some projects may not be able to provide as large a community benefit fund as others. Providing this context is crucial to managing community and stakeholder expectations in light of the rapidly evolving commercial realities of the offshore wind industry.

It is important to highlight that the competitive financing regime around offshore wind development means that individual project finances will impact the size and form of community benefit offers. There needs to be an understanding that projects going ahead within the context of highly competitive Contracts for Difference (CfD) rounds are unlikely to be able to offer the same level of community benefit funds that FID or early CfD projects with higher strike prices may have been able to provide.

We would also suggest including reference to the different stages of commercialisation that fixed bottom and floating offshore wind technologies are at, as well as differences in terms of size between developers. Floating offshore wind projects are currently at the testing and demonstration

phase and it is therefore unlikely that they will be able to offer community benefits. Some developers, particularly in the fixed bottom offshore wind sector, will be considerably larger than others, with more mature portfolios and access to larger resources. Smaller developers may not have the resources of some larger developers and this may have an impact on the level of dedicated engagement and size of community benefit fund they can provide.

While cost reduction is a key driver for the offshore wind industry, the comment that the scale of community benefits may be highly dependent on the financial means of the developer will not be accurate in every case, as each offshore wind farm project will be developed and financed in its own way. Many offshore wind farms will be independent companies owned by several shareholders with bank financing providing much of the capital. In these cases, the financial means of the developer will be limited to the project company itself rather than the shareholder's parent company.

Supply chain

As the GPPs will be viewed and used by the general public and other stakeholders, section 3.1 should clarify that large scale offshore wind projects will be required to develop a supply chain plan to access a CfD. It would be useful if the document highlighted some of the benefits a supply chain plan can secure.

Host community

We believe references to "host" communities throughout the document should be removed. The implication from this is that "host" communities (however defined) should always be direct recipients of benefits from a community benefit package, removing some of the flexibility set out over identification of a community.

Flexibility

We welcome the emphasis on flexibility throughout the GPPs. The appropriateness of the establishment of a community benefit package, and the form it takes, must be taken by the developer on a case by case basis. This means developers will be able to deliver optimal projects and design community benefit packages according to the specific characteristics of individual sites, as well as individual project financial drivers.

Identification of the community

Section 5 could be strengthened by including some of the challenges associated with identifying the community for offshore wind projects, e.g. distance from shore, the need for onshore and offshore infrastructure and consents and multiple local authority areas.

Site-specific solutions

The guidance states that community benefit packages will vary depending on a range of factors including distance of the project from shore, noting that "some offshore sites will be visible from shore, while others will not." We question the relevancy of this, as it suggests that community benefit is somehow linked to compensation for landscape and visual impacts. We suggest this be removed, as it undermines the principles of community benefit.

Community engagement

The industry takes its community engagement obligations very seriously, as demonstrated by the extensive community engagement by developers across Scotland to date. Our members work hard to address issues where they arise in order to ensure communities feel part of constructive and meaningful discussions with developers on all aspects of an offshore wind development.

We feel that the responsibility for engagement and agreement in the GPPs falls disproportionately with the developer. There should be more emphasis on the need for stakeholders to engage, and the role for organisations like Local Energy Scotland to support developers in identifying and engaging with communities. There should also be more emphasis on communities self-identifying once a developer has advertised that a fund is available.

While individuals within communities ask many questions relating to job and investment opportunities, it has been the experience of offshore wind developers that relatively little discussion on “community benefits” (as outlined in the draft Principles), has taken place, indicating this is not the primary concern of those communities. However, it has also been the experience of these developers that communities are often not sure how best to engage.

Capacity building

The GPPs place a strong onus on the developer to build up the capacity of the recipients of a community benefit package, bringing together stakeholders and relevant agencies that can support capacity building. While we agree that success is heavily dependent on the organisation and capabilities within a community, we would argue that the guidance places a disproportionate burden on the developer. Instead, the guidance should emphasise the expertise of Local Energy Scotland to support both communities and developers.

Additionally, the guidance states that “there may on occasion be conflicts within or between stakeholder groups. It is recommended that developers seek advice or support in this scenario.” However, there is no reference to appropriate contacts that may be able to support the developer.

While “a mutually agreeable solution” is to be sought where possible, it should be recognised that this may not be possible in all cases.

Governance and administration

We would argue against the suggestion that developers should provide support to the community in seeking professional advice to ensure that funds are administered correctly and accountably. Developers’ core business and skills are in renewable energy; therefore they are not best placed to provide the practical support required. Instead, communities should work with independent bodies such as Local Energy Scotland to support this type of activity. The role of Local Energy Scotland as a support for both communities and developers is invaluable and their role as a facilitator to help create positive outcomes should be represented in the document, as in the other GPPs.

As suggested by the case studies, it is likely that the preferred approach for many developers will be to engage a fund manager to deal with allocating community benefit funds. Stakeholder

engagement, as outlined in the guidance, would be difficult to achieve without the developer employing dedicated members of staff and it is likely that many would prefer to employ a third party. Additionally, groups such as those outlined in section 6.3.3 are better placed to advise the recipient group about whether they are adequately resourced to deliver the proposed scheme.

Models considered as ‘community benefit’ as defined in this document

This section could be updated with clearer reference to wider offshore wind industry practice. It is not clear from the text that some funds are linked to the onshore infrastructure of an offshore wind farm project, while other funds are restricted to a limited number of years (not necessarily the full lifetime of a project). A useful exercise would be for the developer or sponsor of the community funds listed to be contacted and asked to provide an update on the fund, including up to date web links and a current summary of what is available.