

REPORT TO: East Lothian Council

MEETING DATE: 13 December 2022

BY: Executive Director for Place

SUBJECT: Community Benefits from Offshore and Onshore Wind Installations

1 PURPOSE

- 1.1 This report highlights the varied practice arising around community benefit funds arising from offshore and onshore wind installations. It draws attention to the Scottish Government *Good Practice Principles for Community Benefits from Onshore Renewable Energy Development* (Scottish Government, May 2019) as well as the Scottish Government's draft guidance document '*Scottish Government Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments*' (2018), which has not been finalised.
- 1.2 The intention is to encourage the Scottish Government's development of finalised guidance for offshore community benefits upon which councils and communities can rely and which promotes the allocation of benefits between local communities adjacent to installations and wider community objectives in the local authority area.

2 RECOMMENDATIONS

Council is asked to:

- 2.1 Note the Scottish Government's Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments;
- 2.2 Note that discussions are to take place with the Association of East Lothian Community Councils and the wind energy developers active in East Lothian about the Association's proposal to develop a voluntary scheme to split community benefits between communities adjacent to renewable energy installations and a wider East Lothian Community Benefits Fund;

- 2.3 Note the varied practice in terms of how community benefits are funded and allocated and the lack of finalised and clear guidance relating to Offshore wind developments; and,
- 2.4 Mandate the Economic Development Spokesperson to call upon the Scottish Government's Cabinet Secretary for Net Zero, Energy and Transport to finalise guidance for the valuation and distribution of community benefits arising from offshore wind developments and seek the support of Paul McLennan MSP in this respect.

3 BACKGROUND

- 3.1 Community benefits are voluntary payments made by renewable energy companies to communities in the vicinity of their installations. They are not, formally, 'compensation' for the effects of living near renewable energy installations, but are intended to allow communities to share in profits being made from the use of natural resources. They are not a 'material consideration' in the planning process and are thus not taken into account in a decision over whether consent should be granted.
- 3.2 Community benefit payments typically commence once the windfarm is constructed and power generation has started and following detailed discussions with community representatives. The developers have dedicated employees who build relationships with communities and work towards agreement in the distribution of benefits.
- 3.3 The Scottish Government's guidance around onshore wind requires the owner of the installation, following a process of consultation, to identify appropriate communities that will be involved in the community benefits scheme. "Consultation should be open, timely, fair and inclusive, enabling everyone with an interest the opportunity to be involved and heard."¹
- 3.4 There are various models of administration of the benefits funds including through community councils and in some instances by local authorities. Typically there is an annual pot of money within each community benefit fund, which is allocated via a bidding process, to community groups who bring forward requests for funding for specific projects. SSE, one of the largest onshore wind providers employs full-time community benefits officers and produces an annual report showing the contributions that have been made to communities.
- 3.5 In relation to onshore wind, the Scottish Government Good Practice Principles "*promotes community benefits at the value equivalent to £5,000 per installed megawatt per annum, index linked for the operational lifetime of the project*"². The costs of onshore wind installations and the level of

¹ Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Development (Scottish Government; May 2019) Page 13

² Ibid Page 5

electricity likely to be generated is widely understood and this sum has been settled on as a reasonable level of contribution.

- 3.6 Large onshore wind farms can generate high levels of community benefit each year. For example, the developers seeking planning approval for the Newlands Hill Wind Energy Hub are projecting that this development will initially provide around £561k community benefit per annum and a potential total of £42m over the 40-year lifetime of the project. Because of large sums that could be generated for relatively small communities the Good Practice Guidance suggests that “*There may be an opportunity to be more flexible in terms of widening the geographical area of benefit to reach a greater number of individuals and organisations that could support projects that are area-wide ... Any decision to widen the area of benefit should form part of the discussions/consultation process with the community living within the boundary of the development area and the renewable energy business*”.³
- 3.7 The issue of wider geographic or East Lothian-wide community benefits is being considered by the Association of East Lothian Community Councils (AoELCC). A sub-group of the Association has produced a draft proposal for consultation which suggests splitting community benefits packages between ‘locally affected community councils’ and an East Lothian ‘Community Benefits Fund’. Renewable energy companies that attended a recent Energy Forum organised by Paul McLennan MSP, were in agreement in principle of splitting community benefits between locally affected communities and an East Lothian-wide community benefits fund.
- 3.8 At the AoELCC meeting that discussed the proposal for an East Lothian Community Benefits Fund, it was agreed that the Council would support the Association in working up the proposal with options around the possible split of benefits between locally affected communities and the wider East Lothian Fund, whether the Fund would include offshore as well as onshore development, the governance arrangements around the Fund, and the potential priorities or focus for distributing the Fund.
- 3.9 Turning to offshore wind, at the current time, the costs of installation and consequently profits that will arise are much less certain than those for onshore wind. The installations themselves will be at varying sea depths and varying distances from their operations and maintenance bases onshore. The maintenance costs of the installations are also higher as they involve operations in deep water and far out at sea. The turbines are frequently also located off the shore of more than one local authority area and the power is brought onshore to a substation that may be many miles in distance from the turbines generating the electricity.
- 3.10 In East Lothian power is being brought onshore from the NNG array of wind turbines with the cable coming onshore adjacent to Thorntonloch before the power travels 12km to a substation located in the Lammermuir Hills. The NNG windfarm is reported by EDF to be likely to be commissioned during 2023 and the website makes reference to bringing

³ Ibid. p. 16

forward a proposal for a community benefit fund in the coming months. (Appendix C – link to the NNG website). The wind farm will produce 450MW from 54 turbines. Planning permission in principle has been granted to Inchcape/Red Rock Power to bring power onshore to a substation at Cockenzie and an approval of matters application has recently been lodged, with the intention to start construction in 2023, assuming that the application is approved. The design for the wind farm. Located off the Angus coast, has changed recently, to use 72 larger 15MW turbines instead of the originally proposed 110 9.5MW turbines. This will allow the generation of 1GW of power. Inchcape/Red Rock have indicated that they will bring forward proposals for a community benefit fund in due course. There is also an option granted on land within the Cockenzie site to Seagreen to allow power from Seagreen 1A to be brought ashore at Cockenzie and this installation also has planning permission in principle. SSE, the owner of Seagreen has also indicated that it is prepared to bring forward a community benefit fund at the appropriate time, assuming that all necessary consents are achieved and the development of Seagreen 1A goes ahead.

3.11 Examples of benefits funds found from research into offshore wind include:

- Rhyl Flats, Llandudno, max output 90MW, annual fund of £75,000
- North Hoyle, Liverpool Bay, max output 60MW, annual fund of £60,000
- Sheringham Shoal, Norfolk, max output 317MW, commissioned in 2012 with total funds awarded since commission £1.1m
- Gwynt Mor Wind Farm, Wales, 540MW, commissioned in June 2015 with a lifetime fund (25 years) totalling £19m, as well as a tourism fund of £690,000 delivered during construction (improvements to historic pier, slipway to allow the launch of small boats, a contribution to the redevelopment of a historic harbour, a project to improve cycling and walking connections and beach improvements)
- London Array, Kent, max output 630MW, fund worth a total of £850,000 over the life of the turbines, split £200,000 to the local wildlife trust for nature conservation; £300,000 for community benefits and the remainder an endowment of a bursary to send one local student to university every year
- EOWDC, Aberdeen, max output 96MW, fund worth £3m, at £150,000 per year over 20 years.

3.12 This demonstrates the diversity of the amounts of funding arising and also in terms of how the funds are allocated. There are difficulties in making direct comparisons, as the size of the turbines, the depth of water they are in, the distance they are located off the coast and their method of maintenance all affects the economics of an offshore project and therefore the amount of benefit that can be afforded. The turbines can also be located many miles from the landing point for the power. The examples do, however, provide evidence that there are times when the funds have

been split between direct payments to local communities and payments to achieve wider objectives in the local area. It is also important to note that some of these payments in the examples above are split between a number of local authority areas according to the location of the turbines and the onshore apparatus. There is limited information on this, although the large Beatrice offshore array delivers community benefits to two local authority areas and the types of fund in each area are reported to be different.

- 3.13 The inconsistency of these positions points to the Scottish Government undertaking further work in relation to its draft guidance, in order that community benefits funds from offshore wind benefit from a more certain position. The guidance should also allow for agreements to be made to allocate portions of community benefit funds to wider objectives in the area, as well as an immediate funding pot for the adjacent local communities. This seems particularly logical in relation to offshore wind where the turbines can be many miles away from the onshore landing point and there is scope to balance the funding that arises across the wider community area. In all cases, however, it is acknowledged that the offer of benefits is voluntary on the part of the operator of the installation and the benefits are allocated overall for the community, not to fund the functions of the local authority.
- 3.14 It is proposed that the Council agrees to the Economic Development Spokesperson writing to the Cabinet Secretary for Net Zero, Energy and Transport asking for a dialogue in relation to offshore community benefit funds and calling upon him to finalise the guidance that is currently in draft. It is also proposed to ask Paul McLennan MSP to support this initiative and be involved in a meeting with the Minister.

4 POLICY IMPLICATIONS

- 4.1 Community benefits are a voluntary arrangement between the operator of the renewable energy installation and the local community and as such do not impact directly on the Council's policy.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – The allocation of community benefits may in some circumstances be controlled by the Council on behalf of the community so there is potential in the future for offshore benefits to impact on Council

resources. No direct financial consequences arise, however, from this call to the Scottish Government to finalise its guidance.

- 6.2 Personnel – Staff time is required to prepare correspondence for the Spokesperson for Economic Development and for continued research in this area.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Development (Scottish Government; May 2019)
- 7.2 The Scottish Government's 2018 draft Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments.
- 7.3 SSE's annual community benefits report.
- 7.4 NNG windfarm webpage: [Neart na Gaoithe \(NNG\) Offshore Wind Farm - NNG Offshore Wind](#)

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