Department for Energy Security & Net Zero

Community Benefits and Shared Ownership for Low Carbon Energy Infrastructure

Working Paper

Closing date: 16 July 2025

May 2025

Any enquiries regarding this publication should be sent to us at:
energy.infrastructure.benefits@energysecurity.gov.uk

Contents

General information

Part 1 of this working paper seeks views on the potential introduction of a mandatory community benefits scheme for low carbon energy infrastructure, including on the scope of such a scheme, and how a scheme should be administered and enforced.

Part 2 seeks views on how best to facilitate shared ownership of renewable energy generation infrastructure, including on whether a mandatory approach should be taken and consequently whether relevant powers in the Infrastructure Act 2015 should be exercised.

Audiences

We encourage responses from all stakeholders with an interest in the policy area. In particular, this working paper may be of interest to:

- Energy infrastructure developers and investors
- Wider energy industry and trade bodies
- Community organisations
- Environmental groups
- Local authorities

Territorial extent

This policy will apply to Great Britain only (England, Scotland and Wales) but we encourage responses from any organisation or individual with experience or views on the matter.

How to respond

Respond online at: energygovuk.citizenspace.com/energy-infrastructure-planning/community-benefits-shared-ownership-en-infrastruct

or

Email: energy.infrastructure.benefits@energysecurity.gov.uk

or

Write to: Community Benefits, Energy Infrastructure Planning Reform, Department for Energy Security and Net Zero, 55 Whitehall, London, SW1A 2HP

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy[1].

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names of organisations that responded, but not people's personal names, addresses or other contact details.

[1] https://www.gov.uk/government/publications/desnz-consultations-privacy-notice

Introduction

The Clean Energy Superpower Mission is crucial for economic growth, energy security and reducing electricity bills. By rapidly adopting clean, homegrown energy, Great Britain can control its energy supply and protect both household and national finances from fossil fuel price spikes with cleaner, affordable power. Achieving our goal of becoming a clean energy superpower and achieving net zero by 2050 will require the rapid deployment of new low carbon energy capacity. This means that some communities will see an increase in energy infrastructure being built in their area, such as onshore wind and solar, making them vital players in achieving net zero and energy security.

Cross-technology Community Benefits

Communities should feel tangible and enduring benefit from their role in creating a low-cost, clean energy system. Community benefits are already delivered on a voluntary basis in some energy sectors across Great Britain (such as nuclear, solar, offshore and onshore wind), but this is not consistent across sectors and locations. That is why this government is considering mandating the provision of community benefit funds for low carbon energy infrastructure. This would create a level playing field across developers and communities, ensuring consistency and fairness in application. The Scottish and Welsh Governments likewise believe that all communities must see tangible and long-lasting benefits and we will work together to deliver this for communities.

Community benefits can include both monetary (in-cash) and non-monetary (in-kind) contributions that improve the local economy, society, and environment. For example, community benefits could include funding to support community projects, funding to support community priorities such as local tourism, education and skills development opportunities, or in-kind benefits, such as direct investment in local infrastructure or donation of equipment. They are additional to the intrinsic benefits that come from development and construction, such as local employment opportunities.

Provision of flexible community benefit funds that can be tailored to local context and preferences could maximise the impact of community benefit packages, helping to ensure a lasting legacy that reaches a wide pool of beneficiaries. If a decision is taken to mandate, the government would expect developers[2] to work with local people to deliver the types of community benefits best suited to their individual circumstances, rather than to apply a one-size-fits-all approach.

[2] For the purposes of this policy, ‘developer’ is defined as the person(s) under whose licence the energy infrastructure is being operated. Section 4 of the Electricity Act 1989 sets out requirements for licences to be held at all times by the person who generates electricity. We propose that the obligations in respect of community benefits are placed on the relevant licence-holder. Identifying the relevant developer in this way ensures that the requirement to provide community benefits will always fall on the correct person, even if there is a transfer of ownership of the relevant infrastructure.

In order to implement a mandatory scheme, primary legislation would be required to grant powers to create new regulations relating to a mandated community benefit fund scheme. The purpose of this Working Paper is to seek views on whether mandating is the right approach and if so, to inform the design of our policy proposals.

These initial proposals for community benefit funds are distinct from the bill discounts scheme for transmission infrastructure that was introduced in the Planning and Infrastructure Bill on 11 March 2025[3].

It is critical the planning process remains a robust system through which communities can continue to have a say on any proposals in their area. That is why community benefits are legally immaterial to planning decisions and cannot be considered when deciding whether to grant planning consent.

Community benefits are also not compensation for any perceived negative impacts. Where developers consider it appropriate to provide individual compensation for a development, this arrangement should be agreed between the relevant parties and would be separate from any potential community benefit proposals.

Shared Ownership

Shared ownership of energy infrastructure has the potential to help us achieve the Clean Energy Superpower Mission, for example, by delivering financial, social and economic value to communities. It is not currently commonplace for it to be offered to communities in England; however, the Scottish and Welsh Governments encourage developers to voluntarily offer shared ownership opportunities to communities as standard on all renewable energy projects.

The Infrastructure Act 2015 (“the 2015 Act”) includes provisions enabling the Secretary of State to make regulations which would give local communities the right to buy a stake in a renewable electricity generating station located in their community (“the community electricity right”). The objective of the community electricity right was to provide an alternative route to increasing shared ownership, only to be used if a voluntary approach failed to deliver. The Act includes a requirement for the Government to undertake a review of the success of the voluntary approach to shared ownership. This paper will inform this review.

It is unclear to what extent the current voluntary approach to shared ownership across Great Britain has encouraged developers and communities to engage with models of shared ownership. This Working Paper and subsequent review will help the UK Government to determine its policy position on shared ownership.

The purpose of this Working Paper is therefore to gather evidence about how successful the existing voluntary approach to shared ownership of energy infrastructure has been in Great Britain. In doing so, this paper will consider the current support offer available to communities and developers across England, Scotland and Wales, and international examples of shared

[3] https://www.gov.uk/government/publications/the-planning-and-infrastructure-bill

ownership schemes. It seeks views on current barriers to shared ownership in Great Britain and potential solutions to overcoming them and facilitating the further uptake of shared ownership models. This Working Paper also seeks views on whether the powers included in the 2015 Act should be exercised to establish a mandatory approach to shared ownership or whether it is more appropriate to continue with a voluntary approach.

Part 1: Community Benefits

Background

At present in Great Britain, community benefits are provided by developers of low carbon energy infrastructure on a voluntary basis. Additionally, the government recently published guidance on Community Funds for Electricity Transmission Network Infrastructure, which sets out a more ambitious, consistent, and fair approach to the delivery of community funds in this sector[4].

In Scotland, voluntary community benefit schemes are well-established and integral to renewable energy developments. Over the past 12 months, renewables developers have offered more than £30 million in community benefits.[5] The Scottish Government is reviewing their Good Practice Principles for Community Benefits for onshore and offshore renewable energy and plans to update their guidance.[6]

In Wales, the Welsh Government has focused on full and shared ownership of renewable energy projects, set out in its Policy on Local and Community Ownership and the detailed guidance for developers and communities (see Part 2 on Shared Ownership). Wales also supports different models, such as cooperatively owned turbines where the hundreds of community owners receive electricity at a price near the cost of producing it. In Wales there are excellent examples of community benefit schemes, largely from onshore and offshore wind, working with communities to consider and deliver the long-term impact such funds can offer.

Internationally, community benefits are a common and accepted part of energy infrastructure development in countries including France, Germany, Italy, Spain, and the United States. Some countries, such as Ireland, have implemented mandatory schemes.

Case study: Ireland

In Ireland, renewable energy developers are mandated to contribute to Community Benefit Funds (CBF) at a minimum rate of €2 per MWh generated. Based on expected generation levels for the Offshore Renewable Energy Support Scheme (ORESS), it is estimated that a CBF could amount to €4 million per year from a 500 MW offshore wind project. RWE's Dublin Array project anticipates that its community benefit fund could be worth up to €6.5 million per year.

For offshore wind projects, developers must hire a professional Fund Administrator to help the local community maximise the funding opportunities. Communities decide how to use the funds through a Community Benefit Fund Committee, which creates a

4 https://www.gov.uk/government/publications/electricity-transmission-network-infrastructure-community-funds
5 Projects overview Local Energy Scotland
6 https://www.gov.scot/news/community-benefits-consultation/

Development Delivery Plan in collaboration with the local community. This plan identifies key priorities, including medium and long-term goals.

The proposal on community benefit funds

To deliver our commitment to Clean Power by 2030[7] and accelerate towards Net Zero, we need to move fast to upgrade and build new energy infrastructure. The Planning and Infrastructure Bill (PIB), introduced on 11 March 2025, contains a host of measures which aim to streamline and speed up the consenting process as well as measures aimed at increasing community acceptability of transmission network infrastructure. Using the powers established in the PIB, we will introduce electricity bill discounts for those closest to new or significantly upgraded transmission network infrastructure. Bill discounts are considered most appropriate because, unlike many other forms of new infrastructure, there are no other tangible benefits of transmission infrastructure to the locality (e.g. jobs, skills, inward investment).

Given the pace and scale of development required however, we believe that now is the right time to also consider whether we need to mandate a fairer and more consistent approach to the provision of community benefits for low carbon energy infrastructure, or whether a voluntary approach remains sufficient. Introducing a mandatory approach would guarantee that communities can share in the social and economic benefits of our energy transition.

This paper considers the introduction of a mandatory scheme to place obligations on developers of low carbon energy infrastructure to provide community benefit funds and explores options for setting a framework for how this should be done. Community benefit funds for low carbon energy infrastructure would be provided alongside bill discounts for transmission network infrastructure, creating a complementary policy that would reach a wider pool of beneficiaries with the aim of an enduring legacy of the clean power transition.

We are considering a mandatory community benefit scheme because we believe this would:

- **Recognise the vital role of local communities** hosting infrastructure by ensuring the provision of tangible, long lasting community benefits. Bringing communities along with us on the journey to Clean Power by 2030 and Net Zero is crucial and we believe ensuring community benefits are provided will help us do this.
- **Increase and widen community acceptability** of energy infrastructure with the potential associated benefit of reducing delays to infrastructure build. Community benefits have been shown to increase acceptability and there is evidence that mandatory schemes have a more significant impact on community acceptability than voluntary approaches.[8] [9] [10]
- **Improve community engagement and facilitate positive, lasting relationships** benefitting both communities and developers.

[7] https://www.gov.uk/government/publications/clean-power-2030-action-plan
[8]Marie Hyland and Valentin Bertsch, 2017, The role of community compensation mechanisms in reducing resistance to energy infrastructure development (Accessed November 2024)
[9]Cohen et al., 2016, An Empirical Analysis of Local Opposition to New Transmission Lines Across the EU-27 (Accessed November 2024)
[10] Walker et al., 2014, 'Community benefits, framing and the social acceptance of offshore wind farms: An experimental study in England' (Accessed November 2024)

- **Provide certainty and improve the consistency and quality** of community benefits provided. The current voluntary approach means that communities cannot be certain if they will receive a community benefit package and there is inconsistency across locations and sectors.
- **Create a level playing field** to guarantee that developers approach the provision of community benefits in the same way, and it is clear and transparent to communities how they can expect to benefit

A mandatory cross-technology scheme could require that developers of low carbon energy infrastructure pay a set level of benefit (or in-kind equivalent) into a community benefit fund that can be spent flexibly to suit community priorities and preferences. There could be exemptions for small projects and potentially certain technologies, depending on further consideration in relation to scope **(see section on scope).** The level of benefit may vary across technologies and this paper also explores options on how the level of benefit could be calculated.

If implemented, we propose that developers would be required to appoint a Fund Administrator, though there would be flexibility on the core functions and responsibilities of this role. Involvement of the community is a core principle, and the Fund Administrator should be led by the community in setting up appropriate governance and establishing a transparent process for determining how funds should be spent. To ensure compliance with relevant governance requirements and that the scheme is robust, we propose that an administrative body would monitor compliance by Fund Administrators across Great Britain and take enforcement action where necessary.

If a scheme were to be introduced, we propose that it would be guided by the following principles:

- **Flexibility:** Funds should be used in ways that best meet the needs of the local community and deliver what communities want.
- **Community led:** Local communities should be central in determining how funds are used.
- **Transparency:** Decision making and fund allocation processes must be clear and open.
- **Lasting legacy.** Community funds should seek to improve the social, economic and environmental wellbeing of the community and deliver benefits that endure over the long term.

In order to introduce such a scheme, primary legislation would be required to take powers that would allow for new regulations to be implemented. This will be subject to parliamentary time. We currently expect that the technical detail of the scheme would be set out in secondary legislation and complemented by guidance. Energy policy is reserved to the UK Parliament in respect of Scotland and Wales. The proposed scheme would therefore apply to Great Britain (England, Scotland, and Wales).

Responses to this working paper will help inform the legislative and technical design of any proposals, alongside continued work with the Scottish Government and the Welsh Government and engagement with stakeholders.

A mandatory scheme could come into force by the end of 2027 at the earliest. The scheme would not be retrospective and, if implemented, we would set a specific stage of development to act as a cut-off point for inclusion within the scheme. We wish to minimise the risk that introducing a mandatory community benefits scheme creates funding issues or delays in any developments by imposing new requirements at a late stage of development.

We would not therefore expect any projects that already have planning consent, and potentially projects that do not yet have consent but have applied for consent, to be captured by the scheme. The impact on a project's Final Investment Decision (FID) process or staging may also be considered. We would welcome views on this. In the meantime, and for those projects that are beyond any established cut-off point when the scheme takes effect, we would expect developers to engage with local communities and agree a benefits package voluntarily in line with existing guidance. For sectors not covered by existing guidance, we would encourage developers to look to guidance from other sectors for best practice to implement something appropriate.

We propose that any mandatory scheme that we would introduce would reflect the approach of current voluntary frameworks in Great Britain which set a level of benefit that should be provided by developers, whilst establishing key principles of community involvement in the process and flexibility in terms of encouraging that benefits should consider the preferences and priorities of the communities to maximise impact.

A mandatory scheme could therefore build upon the existing voluntary frameworks for onshore wind in England and the Good Practice Principles in Scotland, which will be updated this year. Mandatory community benefits would apply to sectors both covered by separate voluntary guidance and those not currently covered by voluntary guidance. The scope of technologies captured may change over time **(see the section on Scope below for further discussion)**.

A voluntary guidance-based approach will continue to be in place for the next few years ahead of the potential implementation of any new mandatory approach. Experiences and lessons learned from these existing frameworks, as well as the responses to this document, would inform the design of detailed regulations and guidance for any mandatory scheme. For in-scope technologies, voluntary guidance would be superseded by any mandatory scheme.

As noted above, whilst community benefit funds are provided already by many developers on a voluntary basis, we recognise that imposing new obligations for the provision of community benefits could increase developer costs. We welcome responses to the questions posed in this working paper and in the analytical annex in order to help ensure that the benefits of implementing a scheme outweigh any potential costs to developers and/or impacts on consumer bills.

1. **Do you agree with the principle that developers must provide community benefit funds? Please explain why/why not.**

Scope

Achieving a decarbonised power system and working towards Net Zero will require an expansion of a variety of low carbon energy generation and storage technologies. Some technologies already fulfil a crucial role in our power mix, while others are still developing or not yet commercially deployed. In determining the scope of any potential mandatory community benefit fund scheme, we will need to balance the effects of such a scheme on the deployment of infrastructure and on consumer bills (if costs arising are passed through to consumers), with recognition of the role of communities which host energy infrastructure and the aim of improving community acceptability.

We know we will need much more low carbon energy infrastructure, including a significant increase in wind, solar and battery energy storage systems (BESS) to decarbonise our electricity grid. More nascent technologies such as floating offshore wind and tidal stream may also be vital in working towards Net Zero. Energy infrastructure technologies which could be in scope include renewable and low carbon electricity generation and storage, such as:

- Offshore wind
- Onshore wind
- Solar
- Marine – tidal stream and hydro
- Nuclear
- Power CCUS
- Hydrogen to Power
- Battery energy storage systems
- Long Duration Energy Storage

This paper does not cover proposals around community benefits for heat networks. In England the government is separately considering the mandatory provision of community benefits from district heat networks to be developed in heat network zones and has recently completed a consultation exercise on options. We intend to confirm an approach to community benefits in heat network zones in a government response later this Spring.

Annex 1 provides further information about these technologies. We are clear that if a scheme is implemented, non-energy infrastructure would not be in scope.

Scope of the Renewable Energy Support Scheme (RESS) in Ireland

The RESS 4 auction (the most recent in the Irish government's scheme which supports renewable electricity projects) includes projects across onshore wind, solar, hybrid wind/solar and storage, waste to energy, biomass and biogas. The RESS is an example of a community benefit obligation placed on developers consistently across technologies.

Equity between technologies and investment incentive

When setting the potential scope of the policy, the government will be mindful of the need to avoid creating market distortions in favour of or adversely affecting certain technologies as far as possible. The aim of the policy is to establish a consistent cross-technology approach to providing and administering community benefit funds so that communities can be certain of benefiting from hosting low carbon energy infrastructure. In order for the scheme to be equitable for the wide range of technologies in the sector, consistency and simplicity will need to be balanced with flexibility.

Revenue streams and costs vary considerably across different energy infrastructure projects. Factors such as the location of developments (affecting the natural resources and connection charges) and differences in planning regimes can affect investment and potential returns. Certain technology types can bid into the Contracts for Difference scheme and access a relatively stable rate of return, and some sectors have unique funding arrangements, such as the Regulated Asset Base (RAB) model for future nuclear power and the Cap and Floor scheme to be implemented for Long Duration Energy Storage. Other technologies can be more reliant on a more unpredictable range of merchant revenue streams, such as the balancing mechanism and wholesale market trading. Therefore, any decisions on which types of infrastructure should be included in the scope of the proposed scheme should take into account how to support and maintain the investability of technologies that may face higher costs and not have access to dependable revenue.

Scope considerations

It is important that both developers and communities have clarity on which energy infrastructure technologies would be included in the scope of the scheme, and we would expect to specify this in legislation.

We wish to gather evidence on the impact of bringing different low carbon energy infrastructure technologies into the scope of this potential scheme and would welcome views on which low carbon energy infrastructure technologies should be in scope.

We propose that our policy on scope should:

- Deliver on the policy aims to ensure that communities benefit from the clean energy infrastructure they host and to provide fairness for communities.
- Promote the fast deployment of the low carbon energy infrastructure we need to decarbonise our power system and work towards Net Zero.
- Support the deployment of nascent technologies at an earlier stage of their technological, economic, financial or regulatory development.
- Minimise any potential impacts of the scheme on consumers' electricity bills through reasonable and proportionate design.

To accommodate the changing nature of the low carbon energy sector, we would need the ability to amend the categories of eligible in-scope infrastructure as needed over time and we propose to build in a mechanism in legislation that allows for this.

Additional considerations

Co-location of infrastructure

New energy infrastructure projects may be developed alongside other technologies within a single site (co-location). It is proposed that each infrastructure asset within a co-located site will be treated individually for the purposes of determining whether a project is in the scope of the scheme, although we welcome views on this. This approach would minimise ambiguity in relation to the scope for developers and communities and would ensure consistency in how in scope technology projects are treated. However, a more flexible approach to determining whether co-located energy infrastructure is in scope based on the individual circumstances of the site could have the advantage of ensuring projects are not disincentivised to co-locate or innovate. See page 23 for further consideration of combining funds.

Policy questions

2. **Considering the policy parameters for the scope proposed above, what types of low carbon energy infrastructure should be included within the scope of the policy? Please provide your reasoning.**

3. **What would be the impacts on specific low carbon energy infrastructure technologies of bringing them into the scope of this potential scheme?**

4. **Do you agree that there needs to be provision for amending the scope of the policy in future to ensure that it can be adapted to fit future technological changes, and remains in line with the criteria set out above? Please provide your reasoning.**

5. **Do you agree with the approach outlined for the provision of community benefits for co-located infrastructure? Please provide your reasoning.**

Thresholds

The development of our power system will require expansion of a range of low carbon energy infrastructure technologies. Some generation technologies will comprise large individual sites, while others will expand through numerous smaller, distributed sites. We recognise that for smaller scale projects, a mandatory requirement to provide a community benefit fund may render projects financially unviable. Additionally, subject to any final design on how the level of benefit would be calculated, smaller scale projects may not generate sufficient funds that would warrant the cost of implementing and administering a community benefit fund. Therefore, an appropriate threshold is required to provide clarity to developers and communities on the size of projects that would fall in scope, and this section explores how that could be devised.

The threshold should avoid impeding the development of micro or community scale generation sites or inadvertently incentivising multiple smaller sites, whilst maximising our policy aims of ensuring that communities can benefit from hosting all but the smallest scale energy infrastructure developments. This will be taken into account when setting threshold requirements in any future regulations.

Minimum threshold for power generation and storage infrastructure

If a mandatory scheme is introduced, we would propose to set a 5 megawatt (MW) level of installed capacity as the minimum threshold for low carbon electricity generation and storage projects. This would allow for consistency in the size of energy infrastructure projects captured by any future regulations, as the capacity of a site is fixed and easily comparable. Whilst we think setting a threshold of 5MW is appropriate, it is important to note that many community energy projects with capacities below 5MW provide substantial community benefits and we would encourage this to continue on a voluntary basis.

A threshold of 5MW is in line with the threshold for Contracts for Difference (CfD) eligibility. The CfD scheme remains the government's primary method of enabling low carbon generation investment and deployment. CfDs incentivise investment in renewable energy by providing developers of projects with high upfront costs and long lifetimes with stable revenue streams. CfDs also protect consumers from paying increased support costs when electricity prices are high. This level is considered appropriate for the CfD, with projects above 5MW able to access more secure funding routes, whilst projects below the 5MW threshold would require a disproportionate level of administration costs to participate in the CfD.

Current landscape

Projects currently progressing through the planning system could be considered as representative of the size of projects that can be expected to be built in the coming years. Solar projects of 5MW capacity or less make up around 40% of all solar projects but only account for 2% of the total capacity of solar projects in the planning system[11]. Similarly, for

[11] Renewable Energy Planning Database (Nov 2024)

onshore wind, 38% of all onshore wind projects are less than 5MW but these only account for 1% of the total capacity[12]. For offshore wind, only two projects in the planning system have a generating capacity of less than 5MW. See the **analytical annex** published alongside this working paper for additional data and the methodology.

There may be new technology-specific economic or technological reasons to adjust the thresholds in the future to ensure new technologies are deployed efficiently. This could account for differences in financial models or levels of expected financial viability of nascent technologies. Varying by technology, however, could result in new complexity and unintentionally favouring one low carbon technology over another, distorting factors such as merit order. If we proceed with mandating community benefits, we propose taking a legislative power enabling changes to be made to the minimum threshold, including potentially varying thresholds according to technology type.

Community energy projects and shared ownership

The government believes community energy and shared ownership of energy infrastructure should be encouraged and enabled. Shared ownership is discussed in detail in Part 2 of this Working Paper. We need to consider how shared ownership and community energy projects should be accounted for within this scheme.

Community energy projects involve groups of people coming together to purchase, manage, generate, or reduce consumption of energy. This includes (but is not limited to), solar panels, wind farms, hydro power, rural heat networks, electric vehicle charging points, car clubs and fuel poverty alleviation schemes. Programmes are usually not-for-profit, and profits raised from projects are reinvested back into their communities. These projects already provide benefit to the local community by, for example, reinvesting profits into the community, reducing energy bills locally and creating jobs and skills opportunities. We are proposing that community energy projects be exempt from any mandatory requirement to provide a community benefit fund.

Shared ownership includes any structure which involves a community group as a financial partner for the lifetime of an energy project[13]. These projects can deliver collective benefits to local communities through ownership and the distribution of revenue, however these projects are not necessarily owned by the local community. The degree of community ownership will depend on the structure of the shared ownership agreement; the most common being joint ventures, shared revenue, and split ownership.

We are seeking views on, if a shared ownership structure is in place, how a developer may provide community benefit fund contributions based on their proportionate share in the project (provided their share is above the proposed mandatory community benefits threshold). See Part 2: Shared Ownership below for further discussion.

[12] Renewable Energy Planning Database (Nov 2024)
[13] Scottish Government Shared Ownership of Onshore Renewable Energy Developments (May 2019)

Policy questions

6. **Do you agree with the proposed mandatory community benefits threshold of 5MW for power generating and storage assets? Please provide your reasoning.**

7. **Should the threshold vary by technology in order to accommodate nascent technology (such as floating offshore wind)? Please provide your reasoning.**

8. **How should shared ownership arrangements interact with any mandated community benefit fund contributions?**

9. **Are there any project types that should be exempt from a potential mandatory community benefits scheme?**

Level of benefit

Communities should feel a tangible and enduring benefit from their role in hosting new low carbon energy infrastructure. Ensuring a clear and transparent method to determine the level of benefit is critical to realising our ambitions of increasing community acceptability, facilitating positive relationships and providing certainty while taking into account the costs associated with the scheme and the need to accelerate clean power deployment.

Determining the level of benefit, should we go ahead with a mandatory scheme, will be based on responses provided here, research on the impacts to communities and the planning process, analysis on project economics and evaluation of existing schemes. We will engage with industry and community stakeholders throughout.

Level of benefit

We are considering two potential models with sufficient levels of workability and established precedent; 1) a fund contribution based on installed generating capacity (£/MW), and 2) a fund contribution based on actual generation output (£/MWh). To ensure flexibility, for both options there may be a case for setting different requirements depending on technology type to take into account differences in funding routes and deployment requirements.

Option 1: Fund contribution based on installed capacity

Under this option, developers of in-scope technologies would be required to make fund contributions calculated on the basis of their installed capacity (i.e. £/MW of installed capacity per year for the operational lifetime of an asset).

This option would benefit from an unambiguous and clear-cut calculation, reducing administrative and reporting requirement complexity. A constant contribution amount per year across the lifetime of the project could provide welcome certainty for communities in receipt of the funds and may assist developers with long-term planning and allocation of funds.

This option aligns with the approach put forward in existing voluntary community benefits guidance documents across GB the Scottish Government's Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments[14]. This guidance sets an expectation that qualifying projects will provide community benefits of £5,000 **per MW of installed capacity per year** for the operational lifetime of the project.

This approach may disadvantage technologies with large capacity but smaller financial returns, possibly resulting in additional costs being passed onto to consumers. It could also impact renewables with varying load factors, like onshore wind in England having lower load factors than similar farms in Scotland due to different wind speeds, or solar with variable load factors.

[14] Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments (May 2019)

Option 2: Fund contribution based on generation output

In-scope technologies could be required to contribute based on generation output (£/MWh of metered output per year for the operational lifetime of an asset).

By accounting for different load factors, this option could work better for renewable and dispatchable generation infrastructure. This would include weather-dependent technologies such as wind and solar, dispatchable generators such as low carbon power sources, and flexible technologies including batteries and long duration electricity storage, all of which are integral to Clean Power by 2030 and Net Zero.

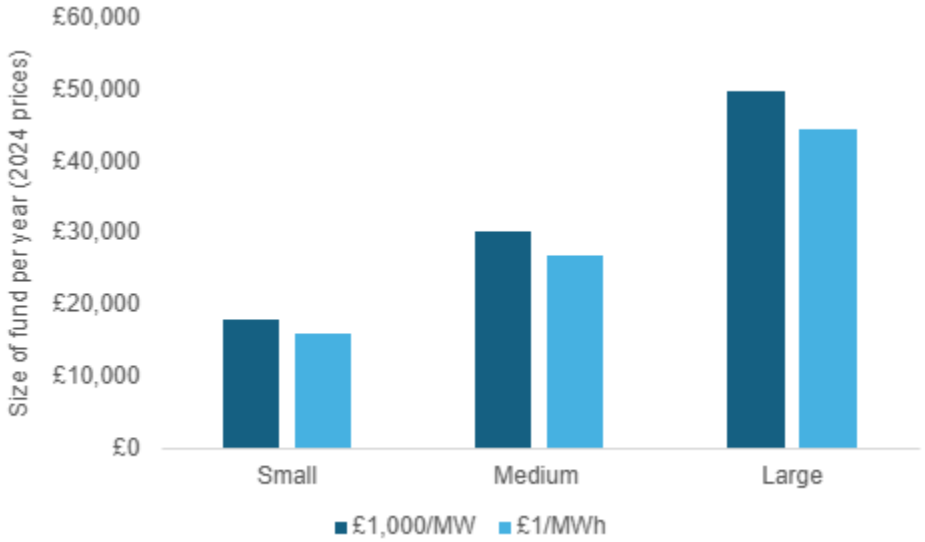
This option may affect technologies differently depending on whether their income streams are fixed or variable. Certain projects receive guaranteed payments regardless of dispatch, through agreements like the power CCUS Dispatchable Power Agreement or models such as Hydrogen to Power Business Model. Other technologies rely on dispatch for their revenue, which may be affected by a mandatory community benefit scheme based solely on installed capacity.

In contrast to Option 1, calculating based on generation output would likely involve greater administrative and reporting requirements for both generators and scheme administrators. With this option, fund contributions are likely to be less consistent year-on-year as generation output varies and the electricity generation mix changes. Furthermore, contributions based on generation output may have perverse unintended consequences, including disincentivising generation. This may have some limited impacts on certainty for communities in receipt of the benefits for longer term multi-year planning and allocation of funds, as well as potential impact on costs. This option has a comparable precedent with the Irish Government's RESS scheme. The RESS guidance states "generators must establish a Community Benefit Fund (CBF) to be used in the interest of the community in proximity to the project. The mandated amount payable by the projects into the Funds has been set at **€2 per Megawatt hour of electricity generated during a year**"[15]. However, the costs of additional administration for developers may already be accounted for through the RESS administration.

The figure below provides an illustrative example of the potential size of fund for different sized solar projects with an illustrative level of benefit of either £1,000/MW or £1/MWh. Small (18MW), medium (30.25MW) and large (49.9MW) is the lower, median and upper quartile of the size of developments. These have been calculated using a cut of data from the Renewable Energy Planning Databased (REPD)[16] which is projects we consider as currently progressing through the planning system, with developments below 5MW excluded. The analytical annex contains more examples, including for wind technologies, and compares the size of fund when differing level of benefits are applied.

[15] Government of Ireland, Community Benefit Funds under the Renewable Electricity Support Scheme, Consultation Document (December 2024), pg.4
[16] Department for Energy Security and Net Zero Renewable Energy Planning Database: quarterly extract (March 2025)

Figure 1: Illustrative annual size of fund for small, medium and large solar farms with differing levels of benefit



Within both options, the established calculation would set a mandatory **minimum** requirement. Developers would have the ability to pay greater amounts into a community fund and we would continue to encourage developers to work closely with local communities to assess local needs.

Funding considerations

When payments apply

We propose that contributions to a community benefit fund would begin to take effect at the Commercial Operation Date of the infrastructure (defined as the date on which an asset completes construction and becomes fully operational). Contributions to the fund would be due on each anniversary of the Commercial Operation Date. There may be instances where a developer, through engagement with communities, might wish to provide funds ahead of the Commercial Operation Date. Flexibility would be built into the scheme to facilitate this, to ensure that deployment of the overall fund remains unaffected while providing communities with clarity on the timings of the ongoing fund contributions.

Index-linking

We propose that the value of developer contributions would be index-linked for the operational lifetime of the infrastructure to ensure fairness for communities. This may be linked to the Consumer Price Index (CPI).

Lump sum or increased frequency contributions

We propose that developers should have the ability to provide early payments or lump sum payments. Developers and communities might also wish to have the ability to provide lump sum payments more infrequently, such as a lump sum every five years. This is to reflect that there may be circumstances where a single annual contribution to a fund does not meet community needs or developer preferences. For example, where a community is seeking

funding for a project which requires a large upfront investment, or community project funding requirements do not align with the anniversary of the proposed Commercial Operation Date.

Developers would need to evaluate the financial feasibility of frontloading benefits payments and determine potential funding sources. If a frontloaded lump sum represents only part of the total value of the community benefits fund, developers could reach an agreement with the community on how the remaining benefits contributions would be distributed.

With regards to index-linking, we propose that lump sum payments would not include potential future increases in the value of a community benefits fund.

Infrastructure with very large capacity and / or operating lifetimes

Assets with significantly greater capacity or operating lifetimes than other infrastructure in scope, such as nuclear, may require additional consideration as to the most appropriate approach to setting the level of benefit. Approaches to consider may include the use of regional funds (see description below), an introduction of a cap on funding, or a limit or cap on the duration over which funds are payable. Any proposal would need to take into account the role of communities, the fair provision of benefits, and the impact on developers.

Combining funds

We propose to build flexibility into the scheme to allow community benefit funds to be combined, where appropriate. We recognise that there are benefits to both developers and communities in combining funds where it is appropriate, feasible and desirable to do so. Combining funds might be most appropriate where:

- Multiple assets are co-located within a single site run by multiple developers (for example, a 30MW solar farm and battery storage facility)
- Multiple smaller assets are situated within a single well-defined smaller community (for example, a rural community hosting a 20MW solar farm and a 50MW onshore wind farm)
- A smaller asset is situated within a close distance of a much larger asset (for example, a 20MW solar farm situated near a nuclear generating station)

By allowing the merging of funds, developers and communities would benefit from reduced administrative costs. Communities may also benefit from a more consolidated, larger community fund. Any decisions regarding the combining of funds would be required to involve thorough community engagement and documentation. Appropriate measures will be required for combined funds, such as merging multiple Fund Administrators, aligning operational lifespans of projects, and impacts on enforcement and community engagement. In any scenario, transparency and clear lines of accountability must be maintained.

Regional funds

Where it is appropriate, and following community engagement, it is proposed that developers may be able to pay into a regional fund covering a wider area of diverse communities, such as a dispersed community along a coastline or beyond a geographically defined community. For

example, it may be appropriate for an offshore wind developer to contribute towards a regional fund that covers a broader community beyond a narrower geographically defined area. A regional fund might also be used to better facilitate the provision of a large community fund which may be difficult for a single community to effectively manage.

Communities, developers, and other relevant stakeholders should collaborate to identify and pursue opportunities that could facilitate the delivery of larger, more ambitious community benefit projects. In every instance, the decision to engage in regional efforts would be made through engagement with local communities.

Suspension of payments

There may be instances whereby an asset is not operational for an extensive period of time due to unforeseen circumstances beyond the control of the developer. This may include extreme weather events or any other unintended event resulting in the inability to operate. It is proposed that the scheme could include provision for community benefit payments to be suspended when such events occur. In the detailed design of any final scheme, we would expect to include options to secure flow of funds in the event of suspension of payments. For example, this could include insurance policies to cover payments in circumstances where a service provision is heavily reliant on this funding.

Change of project lifespan

In circumstances where a project extends its operational life beyond the initially anticipated project lifetime, it is proposed that community benefit fund contributions would continue until the end of the new operational lifespan on the same terms.

Change of project installed capacity

In circumstances where a project's installed capacity changes (for example through maintenance, repairs or replacement of equipment, or an extension to the generating station), it is proposed that the required level of community benefit contributions would change accordingly. Developers would be required to notify the fund administrator at the earliest opportunity of any expected changes in installed capacity that would impact developer contributions to a community fund. Developers would also be encouraged to engage with the local community to communicate any changes to installed capacity at an early stage to ensure changes to the size of a community fund can be effectively planned for.

Retrofitted projects

It is essential to correctly balance encouraging energy developers to make best use of existing infrastructure through retrofitting and repowering, whilst ensuring communities hosting new energy infrastructure benefit from it. There may be circumstances whereby existing infrastructure is retrofitted, for example a gas-fired combined cycle gas turbine (CCGT) retrofitting with carbon capture or hydrogen technology.

In principle, it is proposed that where an existing project developed before the introduction of mandatory community benefits is retrofitted with new energy technology which results in a change to its overall capacity, developers would be required to make contributions to a

community benefit fund based on the difference between the previous pre-retrofitted capacity and the new capacity. Where a project is subject to the scheme (and had contributed to a community fund), it is proposed that the contribution requirements would reflect the new installed capacity.

Repowering projects

In some circumstances, a project contributing towards a community benefit fund may temporarily cease operating but then repower at a later date. In these instances, developers should be encouraged to reengage the previously operational community fund. If necessary, developers could be required to begin the community benefit fund process again through developer led engagement with communities. In instances where the gap between end of operations and repowering is relatively short, developers may wish to continue paying into the existing community fund to minimise future administration costs of establishing a new fund.

Change of project ownership

We propose that the developer obligations in respect of community benefits are placed on the relevant licence-holder (e.g. a licence for generation of electricity under the Electricity Act 1989). When a project undergoes a change in ownership or is transferred to another third party, it is proposed that any existing community benefits obligations would therefore be transferred to the new party. The new developer would bear the responsibility for ensuring the continuity of community benefits fund payments. Additionally, it may be helpful for provisions for changes in ownership to be explicitly detailed within the agreement on community benefits between the developer and community groups.

Policy questions

10. **For those developers already offering community benefits on a voluntary basis, how are these funded?**

11. **Recognising the need for flexibility, are there any impacts or considerations of funding community-led projects that should be taken into account?**

12. **Do you foresee any challenges for developers to fund mandatory community benefits? Does this differ between technologies?**

13. **How can significantly larger community funds be best managed (requirements to use regional funds, introduction of a cap on funding, limit on cap duration)?**

14. **Do you have a preference for either of the proposed methods for calculating the level of contribution payable in respect of energy generating stations (i.e. by reference to either installed capacity or generation output)? Are there any further considerations relating to either option which require exploration?**

15. **Do you agree with the principles of seeking to enable combining funds and utilising regional funds?**

16. **Do you agree with the outline proposals for a) when payments apply, b) index-linking, c) changes to project lifespan/capacity/ownership, and d) suspension of payments?**

17. **Do you agree with the proposals to place the developer obligations for community benefits on the relevant licence-holder (e.g. a licence for generation of electricity under the Electricity Act 1989)? Are there any further considerations that should be taken into account regarding ownership and change of project ownership?**

18. **Are there any other aspects on funding that should be considered?**

Use of funds

If we introduce a mandatory scheme, we would expect developers to engage with the community early to ensure funds are used in line with the scheme's principles:

- Delivering what communities want
- Providing a lasting legacy
- Ensuring flexibility to adapt to community preferences

Community benefit funds may be used for enhancements to the local area, economy and environment, recognising that every community will have different local needs and preferences. Where appropriate, and determined through engagement, developers may provide in-kind contributions, such as a donation of time, services or equipment. Developers should ensure provision of any in-kind support does not result in a lower contribution value than is required.

A fund may be used to support a single project or multiple projects, recognising different requirements and project lifespans. Examples of potential funded projects could include but would not be limited to:

- Local energy efficiency improvements or measures to tackle fuel poverty
- Improvements to local community infrastructure, such as a community centre
- Ongoing funding for community sports or recreation
- Local biodiversity programmes and ecological enhancements
- Support for community energy projects, including contributions towards feasibility and enabling works
- Funding for active travel and community transport schemes
- Further education bursaries and local apprenticeship investments
- Grants to local SMEs and investment in affordable business space
- Investment in local community arts, cultural and heritage

We are minded not to produce guidance specifying what community benefit funds may or may not be used for. Instead, it is proposed that it would be the responsibility of individual communities working with their fund administrator and developers to determine the needs of the local community and determine the best use of a fund. For further discussion on fund administration see section below.

Developers and fund administrators should not place unnecessary conditions on how the money is spent and should take all reasonable steps to avoid any potential conflicts of interest. There would, however, be instances in which the funds should not be used. It is proposed that the use of funds for certain uses which clearly would not be in the interests of the community would be prohibited such as, political campaigning, personal gain, as a revenue stream for

local councils or local authorities, for religious or political groups, illegal activities or a substitute for any statutory funding.

Case Study: Brechfa Forest Wind Farm Community Fund, Wales

Installed Capacity: 57.4 MW

Annual Fund Budget: £459,200, index-linked in line with inflation (CPI)

Management Form: Day-to-day business is administered by the local enterprise agency Antur Cymru. Decisions on the allocation of funds are made by a grants panel of volunteers living in the area, bringing different skills and experiences.

What have the funds been spent on to date

During the first five years (2018-2023) 248 grants worth £2.2m were awarded. The fund is based on the industry best practice of an index-linked £5,000/MW for community benefit payments. As part of the tendering process for the Forestry Commission, the Wind Farm also contributes an additional £3,000/MW specifically to support projects delivering economic development. The amounts are index linked and increase on an annual basis. Future plans include ringfencing part of the annual payments to invest in projects that deliver local social benefits as well as creating an income stream that will be available after the 25-year lifecycle of the windfarm. The fund invests about £25,000 each year in consultancy to help applicants to overcome barriers, improve their project applications and identify match funding opportunities. Often the fund engages with projects over several years. This mentorship approach has ensured high quality and increased impact of projects on the community. Funded projects included activities supporting education & training; community cohesion; health & wellbeing; tourism; vulnerable peoples; local services; art, culture & heritage; environment & climate action. The fund awarded grants to:

- A school community project enabling six primary schools to plan collaborative learning opportunities out in the community including outdoor training, learning and wellbeing programmes.
- An intergenerational training programme as well as a children's education and development programme.
- A parenting skills programme to improve children's chances of a secure and happy childhood.
- The Family Foundation supporting individuals to improve their prospects with guidance on CV writing, interview coaching, job searches and cost of living support.
- Payment for a Nissan ENV 200 5 seat fully accessible car plus £500 for charging points and staffing costs for a development officer for six years for the Brechfa Electric Vehicle (EV) car club.

- Purchase of a bunkhouse to provide a long-term income stream for the local hospice.
- Several community building updates: Solar PV systems, battery storage, LED lighting,
- A community owned leisure centre, paid towards staffing costs and to install renewables.
- Three lunch clubs, each benefitting 50 to 55 community members, offering subsidised meals

Policy questions

19. Do you agree or disagree that we should not produce prescriptive guidance on what the fund can be used for? Are there any other factors that should be considered?

Administration

To ensure that communities can take full advantage of a mandated scheme, we recognise that it would need to be underpinned by clear administrative and governance structures, and a proportionate enforcement regime. There are several potential models for governance and administration structures, many of which are already in use by existing schemes or promoted in guidance. For example, proposals in RESS and ORESS (see background and scope sections) in Ireland, Good Practice Principles in Scotland, and Community Benefits Guidance for Onshore Wind in England. Our proposal seeks to build on and learn from these existing examples while maintaining the flexibility to adapt these structures to individual circumstances.

Proposed roles

High level summary of proposed roles:

- **DESNZ**: DESNZ will oversee scheme design, publish and manage central guidance and evaluate the overall scheme at regular intervals.
- **Developer**: Developers are responsible for providing the community benefit fund, appointing a fund administrator, and ensuring compliance and effective delivery of the fund.
- **Fund Administrator**: Fund administrators will manage the delivery and facilitation of each community benefit fund, ensuring best practice and consistency across different funds. They will also handle community engagement, application processes, fund management, and reporting.
- **Administrative Body**: A central administrative body will monitor compliance, maintain a community benefits register and enforce the scheme.
- **Community Representatives**: Community representatives will ensure the community's voice is heard and accurately represented in the fund management process.
- **Community**: Individuals in the community will feed into and agree the process for delivering and using the fund via community representatives or directly with the Fund Administrator.

Detail of proposed roles.

DESNZ

DESNZ would not have an active role in the delivery of the scheme. However, the Department would have final oversight of the scheme, and oversee the scheme’s maintenance and design, plus publish and manage the scheme’s central guidance in collaboration with the Scottish and Welsh governments. The Department would also lead on the overall evaluation of the effectiveness of the scheme.

Developer

The developer of the eligible energy infrastructure would provide the community benefit fund under the scheme. The developer would be ultimately responsible for ensuring compliance

with relevant requirements and the effective delivery of each community benefit fund. The developer would be required to appoint a fund administrator for each fund who would facilitate and manage the fund on their behalf. However, the developer retains overall responsibility and would be ultimately liable and subject to enforcement penalties should any malpractice or non-compliance occur for which they were responsible. We expect the developer may wish to formalise how the fund administrator should deliver their duties by, for instance, a service agreement or other contractual arrangement.

The Fund Administrator

The fund administrator would undertake core roles in the delivery of any scheme and would be responsible for the management and facilitation of an individual community benefit fund, ensuring on behalf of the developer that each community gets the most out of the scheme. The fund administrator would be the key point of contact in respect of each individual fund. Each fund administrator would be expected to deliver a set of standardised outcomes. This is to help ensure best practice and consistency across all funds. We propose key functions and outcomes for the fund administrator could include:

Key functions and outcomes:

- Defining the eligible community on a case-by-case basis, in consultation with the community and in line with the scheme's central guidance and industry best practice
- Producing and carrying out effective engagement plans with the community
- Identifying and supporting community representatives in their roles; this could include helping set up a community benefits fund panel, secretariat functions, establishing internal governance structures and other administrative activities etc.
- Ensuring a community action plan and / or funding strategy is in place that sets out the community's objective for the fund, how they wish their fund to be spent, how they will achieve this and over what timescale
- Ensuring a clear application and decision-making process for the allocation of the fund is set out, for example via grant funding rounds, community surveys, town halls etc. and lead this process with the community representatives
- Building community capacity and engagement (see capacity building section for more detail)
- Ensuring community representatives are involved in the administration and decision-making process. The fund administrator must consider how to best ensure the decision-making process is democratic and that community members are given the opportunity to share views.
- Managing accounts for the fund and implementation of funding decisions, including disbursement of funds
- Reporting of data and monitoring information to the administrative body e.g. spending account data, outcome reports, community action plans
- Resolving and managing disputes

- Monitoring for fraud or non-compliance
- Ensuring that there is clear and transparent fund-specific guidance and documentation publicly available, which sets out each process and how it should be done e.g. via a website or community hub portal. This guidance could cover any community benefit plans or funding strategies, how the community may feed into the decision-making process, how the community was defined etc. and be informed by the centralised scheme guidance and best practice.

Given the proposed key role that the fund administrator would play, we also propose that there should be eligibility criteria to ensure candidates are suitable for the role. This will help ensure that they are fully equipped to manage the fund and deliver it to the high standards required by the scheme. The criteria could include previous experience managing funds or engaging with communities on community projects or initiatives. We propose that developers should consider candidates who are from the community receiving the fund and/or that have knowledge of the local area or experience working or engaging with that community and include this as part of their criteria where possible. We would also suggest that the developer utilises any existing networks they may have from the planning process within the community to help identify a suitable candidate

As stated above, we propose maintaining an element of flexibility in the governance structure depending on the size of the fund and the community. For example, for larger funds there could be a team of fund administrators with their own internal governance structures (e.g. one lead fund administrator and two deputies) whereas small to medium size funds may choose to have just one full-time or part-time fund administrator.

It is proposed that the cost of the fund administrator would be covered by the community benefit fund. The Irish government's ORESS and RESS schemes set a limit of 30% of the fund that can be spent on administration. We welcome views on what an appropriate cap would be in the questions below. We would encourage the majority of the fund to be spent in the community and encourage developers to try and keep administrative costs to a minimum. We may consider setting a sliding scale for this cap in guidance, especially for larger funds where such a large portion of the fund would not be necessary to set up the governance and administration needed.

Administrative bodies

A central administrative body would be needed to help manage and implement the scheme, undertaking a central role across different technology sectors and community groups engaging in a fund. We suggest that the core roles of an administrative body would be:

- **Data monitoring:** The administrative body would need to monitor scheme data and ensure compliance with the requirements of the scheme. This would include reviewing community benefit fund action plans, records of accounts and spending of the fund, the appointment of fund administrators, and review of fund outcome reports. This would be required to maintain transparency of the scheme.

- **Maintenance of the community benefits register:** the administrative body would be in charge of monitoring and updating the community benefits register (see enforcement section for more detail), where basic information on all the funds within the scheme would be publicly available.
- **Enforcement:** The administrative body would be responsible for enforcing compliance with the scheme. The administrative body would be responsible for ensuring that fund administrators have been appointed and that they are discharging their duties accordingly, auditing and spot checking of accounts, for assessing if malpractice or fraud has occurred and issuing notices and penalties. They would also be the next point of escalation for dispute resolution if the fund administrator cannot resolve a dispute.

Community

We propose that the community would be defined by the fund administrator on a case-by-case basis in accordance with centrally produced guidance (see the defining the community section, below, for more detail). Members of the community as defined by the fund administrator would be able to feed into the decision-making process for how the fund is spent and agree the process for delivering and using the fund via community representatives. The fund administrator may also choose to engage directly with community members identified to aid this process.

Community representatives

Community representatives are individuals or groups of people that are chosen to represent the views of the whole community and engage directly with the fund administrator. We propose that that they are identified by the fund administrator in collaboration with community members. Community representatives would be crucial to ensuring that the community's voice is heard and represented accurately at the design and decision phases of the fund management. We expect that for most funds, several representatives may be nominated by community members, and the fund administrator should seek to ensure that a wide range of perspectives, experience and knowledge is reflected in any final decision-making. The fund administrator may wish to consider having a representative from the developer included in the decision-making process for how funds are spent, who may be able to offer expertise in how best to maximise the fund, especially if they have been involved with engaging community members during the planning process.

Community representatives could form a Community Benefits Fund Panel, or a new or existing community body could act as the community representatives, who can engage with broader community members and the fund administrator during the decision-making process. However, we note that in circumstances where the fund pot is relatively small, a panel structure may not be required or proportionate. We would expect that in general, a community funds panel or any existing or well-established groups, could be engaged to reduce the administrative burden on wider community members, or where there is less local capacity to engage (see more detail in the decision-making section).

Conflict of interests

We propose that any individual or organisation in a decision-making role for the allocation of funds would be required to remain independent of any projects put forward for funding. This is to reduce the chances of a conflict of interest and any chance that funding may be inappropriately allocated to individual projects or interests that are not reflective of the community's wishes. In circumstances where the fund administrator is provided in-house by a developer, we would expect that appropriate safeguards are built into their role to protect against undue influence on the decision-making process (see suggested governance structures below).

Governance structure

As stated above, our initial view is that embedding some flexibility into any scheme's administration and governance would be important to accommodate the different community needs and capabilities, as well as the variations in size of fund. In order to achieve this flexibility, we would propose to establish two models for a scheme's governance structure: one 'standard' governance model, which we would expect to be used by the majority of schemes; and one 'truncated' governance model, to reflect circumstances where the fund is smaller, or a community group has less capacity.

We do not consider that delivery of a fund would be possible without a fund administrator. However, we recognise that, in some cases, developers may not be able to find a suitable candidate for the fund administrator role who has the capacity and skill required for the role specification. There may also be instances where the fund may be of a small size and the costs of administration would become disproportionate. In this scenario, we propose that the developer provides an in-house fund administrator, for instance via a role assigned to a specific member of staff who is already appropriately resourced and supported.

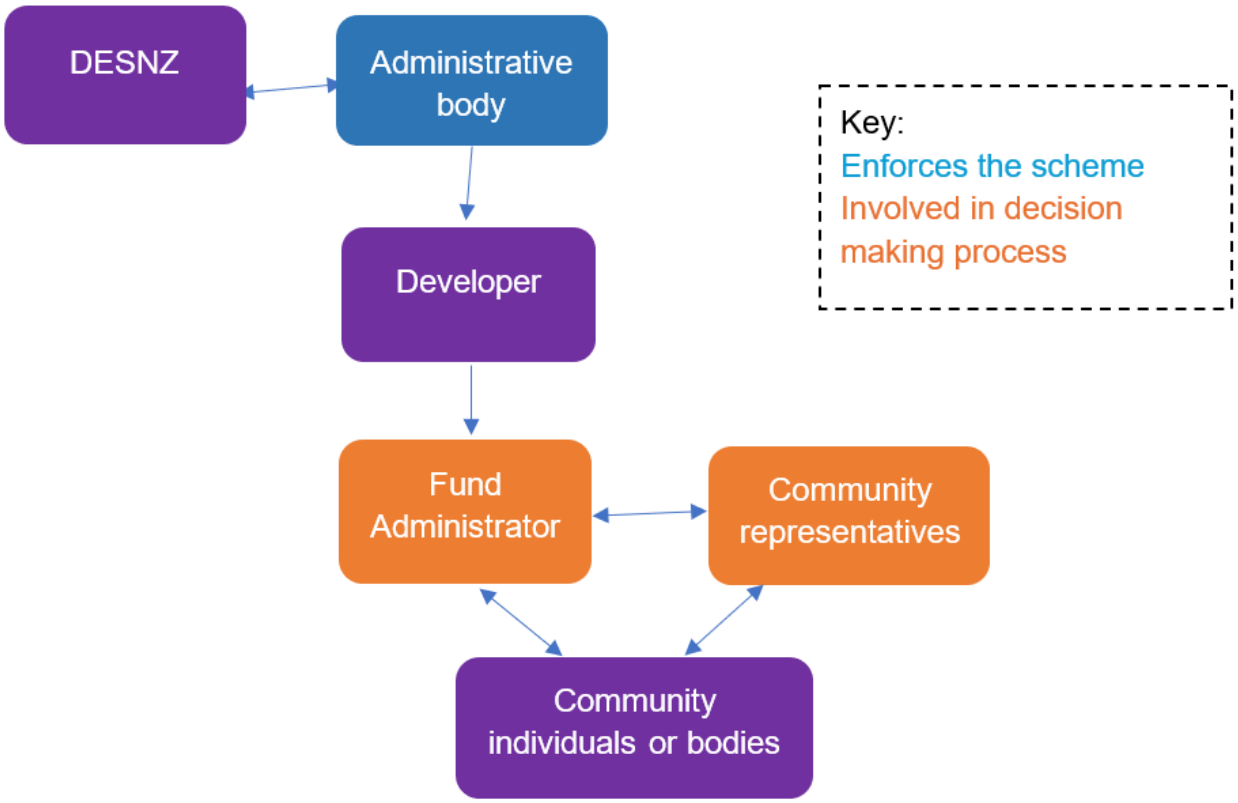
In the case of community representatives, we also recognise that communities and existing community bodies may have limited capacity to engage in the scheme delivery or lack enough suitable candidates to form a panel or council. In these scenarios we propose that more of the burden would be placed on the fund administrator to engage with the community individuals or bodies directly and accurately represent their views. This means in the decision-making process for how the fund is spent, the fund administrator would have more responsibility to ensure that the views of the community are accurately represented in the community benefit plan or fund strategy and reflected in how the fund is managed as they would not necessarily have a panel or community representatives to confer with.

We propose that it would be up to the developer to determine which governance structure is used and best suited to each fund on a case-by-case basis. If the developer chooses the 'truncated' model we would expect them to justify their decision when reporting to the administrative body, and provide sound reasoning for why the 'standard' governance structure would not be appropriate. Under the 'truncated' governance model, the developer and appointed fund administrator would be expected to deliver the same outcomes set out for their role as under the 'standard' governance structures.

We propose that the following core principles should guide the creation of each governance structure as to an individual scheme's administration and governance structure:

- **Flexible** - to ensure the best solution is found for each community
- **Responsive** – to ensure the needs of each community are met in a timely manner
- **Transparent** – to ensure fairness, good practice and compliance
- **Clear and defined** - to ensure roles, responsibilities and outcomes are easily understood
- **Community led** – to ensure community participation and representation in all decision-making processes
- **Accountable** – to ensure decisions and actions are responsible and justifiable

Proposed standard governance structure:

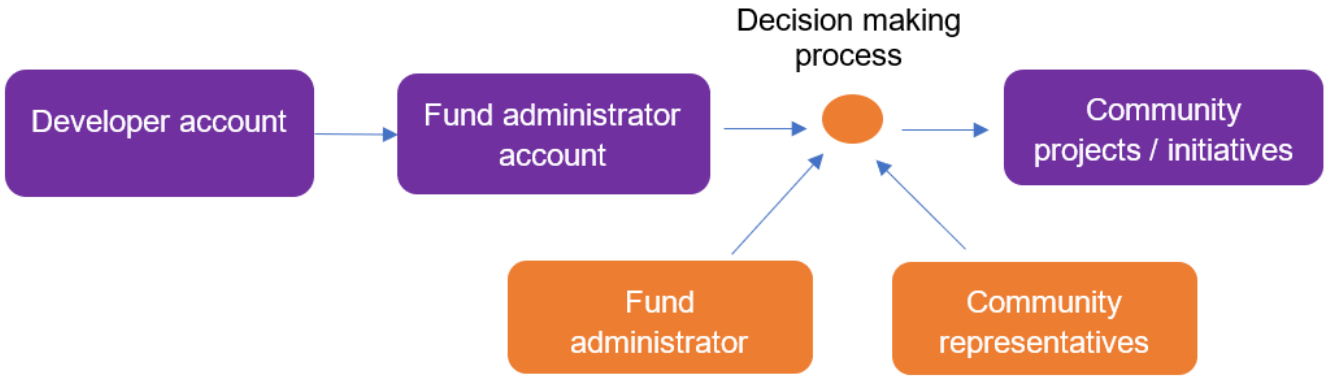


Timelines for having governance in place:

It would be extremely important for communities to have the time to put in place the formal plans for how the funds would be spent, such as a community action plan or fund strategy, before the first payments are due to the fund. This would also allow the fund administrator to become established and work with the community individuals and or community representatives to set up all of the required reporting and monitoring functions and gather all

the necessary views for the fund. Based on existing schemes, we suggest that all governance structures need to be in place at least one year before the first payment is due.

Process for deciding how the fund is used.



We propose that the fund be paid by the developer into an account held by the fund administrator. The fund administrator and community representatives would then go through their selected decision-making process to decide how the fund is spent. The funds would then be allocated to the projects or initiatives that have been successful in the decision-making process.

Gathering views: We propose to encourage fund administrators to choose a system that suits each community's individual needs rather than prescribing one decision-making process for every fund. We would currently expect to provide further options in centrally produced guidance for the fund administrator to choose from and agree with the community individuals or representatives. This approach encourages flexibility, with the options being a set of examples of best practice. As long as the required outcomes are achieved and there is evidence that the process has been carried out in line with the requirements of the scheme and guidance, then we propose that flexibility for this process is maintained. Some of the examples we may provide in the list of options could be:

- Focus groups and town halls
- A community benefit funds panel
- Grant funding rounds
- Community surveys
- Individual door-to-door engagement
- Online consultations

Who makes the decisions: Depending on the community and their individual capacity, the person or persons making the final decision on how funds are spent might vary. However, we propose that the fund administrator always leads the process and defines who would be

involved in combination with community individuals or representatives. For example, the decision makers could be one of the following:

- The fund administrator and individual community representatives
- The fund administrator and a community benefit fund panel made of community representatives
- The fund administrator and a new or existing community body acting as community representatives
- Fund administrator only, using data gathered from the community.

Following the decision-making process, consistent with the level of spend and risk, we expect the fund administrator to formalise fund spending through grant documents or contracts setting out how the fund will be spent for specific projects or initiatives. These may include provisions such as reporting, monitoring and claw back or compensatory measures that could be triggered if there is inappropriate spend outside of agreed uses.

Policy questions

20. **Do you agree with the suggested roles and responsibilities defined for the developer, fund administrator, administrative body, community representatives and community, and with the proposed governance structure? Would you suggest any amendments?**

21. **Do you agree that some flexibility in the governance structure is needed? If yes, do you think that the suggested 'truncated' governance approach would adequately capture and reflect the needs of smaller funds or communities with less capacity?**

22. **Do you agree with the proposed approach to the decision-making process?**

23. **Do you agree with the deadline of one year before payment is due for having governance structures in place?**

24. **What would be an appropriate cap on spending from the fund for administrative functions? What costs can you anticipate the fund structure would entail? What costs have you incurred in setting up voluntary schemes? Do you think we should set out a sliding scale for larger projects?**

Enforcement

To ensure the success of the scheme and that each fund is delivered consistently and to a high standard, a robust and proportionate enforcement regime would be needed. If a mandated scheme were to be implemented, it would need to be underpinned by an enforcement regime that had necessary powers to monitor and ensure compliance, whilst minimising costs, burden and maintaining flexibility. The intent of an enforcement regime would not be to cause undue delay to the rollout of new energy infrastructure or inadvertently inhibit the construction of critical new energy infrastructure, and any enforcement action taken to ensure compliance with the scheme would have no impact on planning decisions.

Based on existing enforcement schemes used by Ofgem, other Arm's Length Bodies (ALBs), ORESS and RESS in Ireland, we propose the following enforcement principles to help achieve this balance:

- Proportionate
- Consistent
- Transparent
- Accountable
- Timely
- Fair

Enforcement mechanism

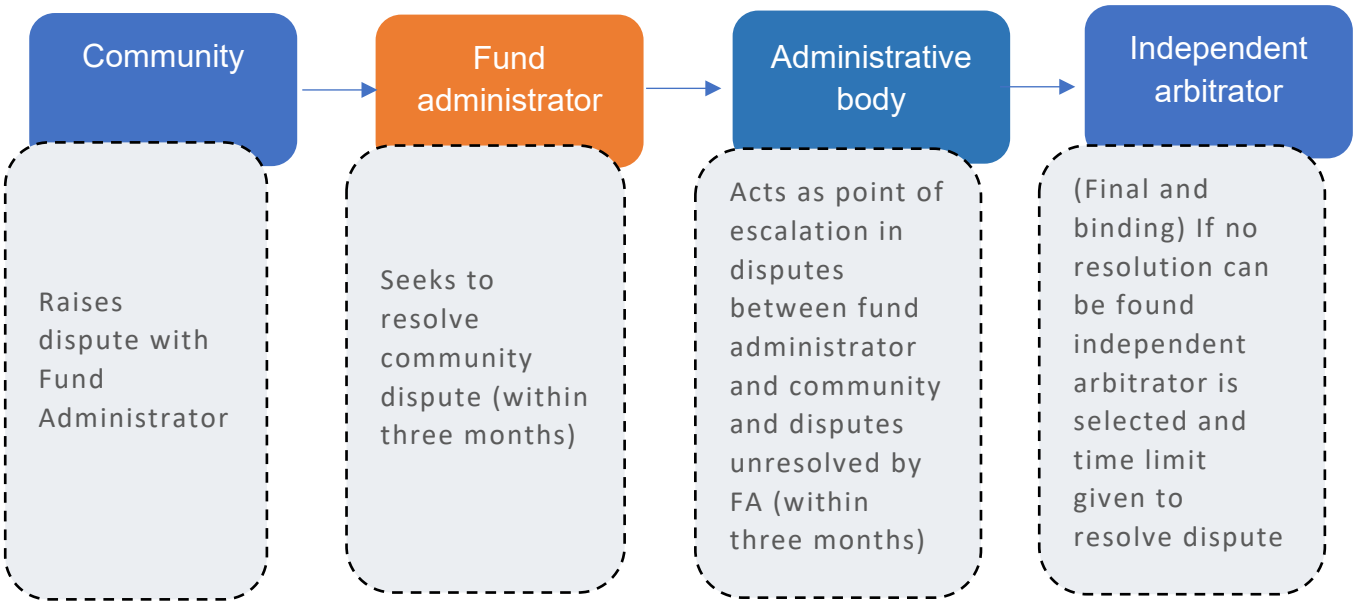
We would consider establishing a tiered enforcement system that emphasises dispute resolution as the first step and the use of penalties only as a last resort, if dispute resolution fails. We would not intend to link community benefits to the planning system, given the well-established principle that community benefits are not a material consideration in planning decision making. We also do not intend to pursue criminal penalties, which we consider to be disproportionate to the potential transgressions under the scheme.

Proposed enforcement tiers

- **Primary:** dispute resolution
- **Secondary (active):** Civil penalty fines
- **Secondary (passive):** Public register

Proposed chain for dispute resolution

Based on the governance structure set out in the administration section we propose the following process map for potential dispute resolution for matters of concern to the community in any future scheme:



As stated above we suggest that the fund administrator would be the first point of contact to try and resolve any dispute. Only if they fail to do so, or are themselves accused of non-compliance with the scheme, would we suggest that the administrative body step in. As a last resort we propose that an independent arbitrator could be used if the other phases of resolution have been exhausted. Based on existing dispute resolution timings used in the planning system and comparable schemes such as ORESS and RESS, we would suggest setting a three-month target for each stage of the dispute resolution process. This would prevent disputes from causing too much delay to the disbursement of the fund and minimise the impact that any delay or non-compliance will have on the community. We propose that this would be a maximum time and would encourage disputes to be resolved as quickly and efficiently as possible.

Civil penalty – fines

In order to ensure compliance with requirements of the regulations to provide community benefits, we would also consider taking powers to impose civil penalties in the form of fines to enforce the scheme to address any instances of non-compliance or malpractice. This is consistent with existing community benefits schemes like the ORESS and RESS and enforcement mechanisms in use by ALBs, such as Ofgem, who have the ability to impose fines as part of an enforcement mechanism. We would suggest that an administrative body would investigate any potential breaches of the requirements, and issue any subsequent fines. We are also considering linking enforcement to generation or supply licenses issued under the Electricity Act 1989 (EA 1989). However, this would be subject to confirmation on the types of technology within the scope of the scheme, and that imposing obligations relating to the scheme on licensees under the EA 1989 is the right approach.

In order to assist with the monitoring and ongoing evaluation of the scheme, we would consider the introduction of a publicly available mandatory community benefits register. Developers would be required to update this register with key information on the fund, although we would

expect that once appointed, the fund administrator could take on the role of updating the register. Much like the voluntary register used by the Scottish Government, the register will contain key information on each fund, including location, name of the developer, value of the fund, and regular updates on fund progress. We suggest that the register could become a platform for information sharing and examples of best practice, as well as a public record of instances of malpractice or non-compliance.

Regarding revenue that the scheme may collect through any future civil penalties, we are considering what uses may be permitted. Potential uses could include redistributing funds to the communities affected, using the funds to aid capacity building for the scheme or redistributing the funds to those in greatest energy poverty.

Level of penalty fines

We are considering how comparable bodies such as Ofgem and LCCC calculate their fines. At this time we would suggest that the size of any fine would be dependent on factors such as the seriousness of the non-compliance or malpractice, the size of the fund, the impact on the community, the size and turnover of the developer, their history of compliance and level of cooperation in taking corrective action. We would propose that the fines should be subject to interest payments and surcharges. We expect that any missed payments to the community would be repaid in full.

Who is liable for enforcement and obligation to pay fines

As the developer is solely and ultimately responsible for the delivery of the scheme, we propose that the developer would be subject to enforcement action for fraudulent action or non-compliance under the scheme that they or the fund administrator commit. The developer would be responsible for appointing a fund administrator and ensuring that person acts within the requirements of their role. If a fund administrator fails to comply with their requirements, it would be the developer who will ultimately be responsible and, if appropriate, subject to enforcement action.

We do not think that imposing penalties on the community would be appropriate under the requirements of the scheme. However, we would encourage developers, communities and fund administrators to put robust mechanisms in place such as grant usage agreements and contracts for individual projects to help safeguard against instances where an individual or organisation may seek to exploit the scheme or conduct other fraudulent activity. In addition to the scheme-specific enforcement outlined here, other mechanisms such as using grant agreements and legal means to claw-back money or referring activity to police or other investigatory bodies may be appropriate, depending on the nature of the concern.

We would propose to keep the scheme under review, especially levels of compliance. If there is evidence of widespread and continuing non-compliance or other fraudulent activity, we would consider strengthening enforcement powers, for instance further compensation or extra penalties.

Instances of non-compliance that could result in a fine:

This list is indicative, and we propose to preserve an amount of flexibility to review the final list as the scheme develops but we expect the main instances of non-compliance could be:

- Failure to provide a community benefit fund
- Late or missed payments of community fund
- Failure to provide required monitoring and reporting information
- Failure to show proof of a funding strategy or community benefit action plan
- Failure to appoint a fund administrator
- Failure to have due regard to the guidance

Policy questions

25. **Do you agree with the suggested approach to enforcement of this potential scheme? To what extent do you think the enforcement mechanism outlined above is appropriate and proportionate for this potential scheme? What other details could be considered?**

26. **Do you agree with the proposed chain for dispute resolution between communities and administrators? Is the proposed escalating chain for resolving disputes appropriate and proportionate? Do you think we should include any more specific instances or reasons for enforcement action to ensure the robustness of the scheme?**

27. **Should consideration be given to imposing any of the proposed enforcement actions on other persons or groups under the scheme? Please provide your reasoning.**

28. **What do respondents think would be a practical use for any additional revenue generated from civil penalties?**

Defining communities

Defining the community

Providing a 'one-size-fits-all' definition of an 'eligible community' across various technologies and locations is impractical and restrictive due to the diverse project sizes, locations, regions, and topographies across Great Britain.

The Scottish and Irish Governments, alongside individual technology sectors, have also adopted a tailored approach to defining eligible communities. As developments can affect multiple communities, often in various locations and with competing interests, proximity to a development is not always the best indicator of an affected community. For example, in Scotland, while proximity to the site is the primary indicator in the context of onshore wind projects and other terrestrial renewable energy technologies, communities in the context of offshore wind projects have been defined on the basis of where the transmission infrastructure comes ashore. Flexibility has also been endorsed by Citizens Advice, who have stated that 'a blended and flexible approach to how communities are defined will be needed to distribute benefits fairly and equitably… there is unlikely to be a one-size fits all approach that works across all projects, geographies, and communities.'[17]

Case study: Dogger Bank Offshore Wind Farm, England

Dogger Bank Wind Farm is a series of offshore wind farms currently under construction, located 130 to 200 kilometres off the east coast of Yorkshire, England, in the North Sea. The project is expected to have a total capacity of 3.6 GW, divided into three similarly sized developments, with completion anticipated in 2025/26.

The planning process has identified the affected onshore areas. Dogger Bank A and B will come ashore at Cottingham in East Riding of Yorkshire, while Dogger Bank C will come ashore at Lackenby, Teesside in Redcar and Cleveland. Additionally, there will be an operations and maintenance base in South Tyneside. Consequently, Dogger Bank has confirmed that these three areas will be the focus of community funds, with a particular emphasis on South Tyneside due to the anticipated long-term presence there.

Therefore, we propose that the eligible community should be determined by a fund administrator on a case-by-case basis. To support fund administrators, we would provide comprehensive guidance and examples of industry best practice to inform their proposals. When defining the community, the fund administrator should consult with community members and the developer to ensure all interests are appropriately represented, not just the loudest voices. Building on the work of the developer in gaining any necessary planning or other permissions, it is expected that the fund administrator would engage with:

- local residents;

[17] Citizens Advice, 'Growing pains – a discussion paper on community benefits and energy infrastructure', (October 2024).

- local businesses (expected to be owners, but could also extend to employees);
- landowners;
- community councils, or other representative community bodies (e.g. town and parish councils);
- local authorities;
- thematic groups and clubs (e.g. youth groups, sports groups, heritage groups, etc);
- community development trust or community company;
- housing associations and tenants associations;
- other existing community groups;
- local environmental bodies, and other national environmental non-governmental organisations with a local presence;
- Local Chamber of Commerce, Federation of Small Businesses, and/or Business Improvement District;
- other key service providers (e.g. village hall committees, schools, colleges, healthcare facilities, residential facilities, care providers, community transport services, credit unions, etc)
- the developer, who will have already had experience defining and consulting with the impacted area during the separate planning permission process.

It is expected that the fund administrator would continue to review the ‘community’ throughout the lifetime of the fund to ensure that the community remains appropriately represented.

Building community capacity and engagement

Building capacity

Developing community fund governance arrangements and considering proposals requires communities to volunteer their time, knowledge and experience. It is, however, extremely important that they can play an active role. We acknowledge the importance of ensuring communities are sufficiently informed and equipped to engage with the community benefits process.

Primarily, it is anticipated that ongoing government initiatives aimed at enhancing local capacity will ensure that communities hosting new energy infrastructure receive direct assistance before being approached to be involved in community benefit funds. For example, Great British Energy would work closely with Community Energy Groups, to provide commercial, technical and project-planning assistance to increase their capability and capacity, in turn, supporting to build a pipeline of successful projects in their local areas. This should go some way to mitigating the need for community capacity building at the community benefit fund stage.

In some instances, however, it may still be necessary to deploy additional strategies to engage, upskill or support individuals and groups to engage in the scheme and related fund. These strategies may not be required throughout the lifecycle of the project and may be required on an ad hoc basis at different times throughout the process to best address the gaps in communities' capabilities. In practice, this could include:

- Providing educational resources
- Engaging all residents of the community
- Facilitating dialogue within the community
- Encouraging cross-community data sharing and lessons learnt
- Hosting accessible workshops and training events
- Creating community action plans

We propose providing detailed guidance and recommendations for fund administrators on options for how capacity can be built within communities that require assistance. The decision on whether this is necessary would sit with the fund administrators, the developer and the community representatives. If deemed necessary, the fund administrator should resource external assistance to build this capacity. It is anticipated that this could be funded within the administration fund budget.

Engagement

Collaboration and engagement within communities would be key to maximising the impact of community benefit funds.

Communities' ability to engage with projects and processes will vary considerably. Therefore, approaches to engagement need to be proportionate to the size and type of benefits on offer. Therefore, flexibility and a tailored approach to engagement that directly caters to each community's needs is likely to be most effective.

We propose to develop guidance for fund administrators to inform their engagement plans ensuring it prioritises transparency, responsiveness and inclusivity. We acknowledge that this guidance would be necessary for informing the development of:

- the area eligible to receive community funds
- the detailed approach to engagement within the community
- an understanding of community preferences and objectives
- a community fund action plan
- governance arrangements

It is essential that the fund administrators understand the community, the area and their goals. Efforts should be made by fund administrators to engage with and provide a platform for those considered 'hard-to-reach', to ensure all individuals are offered an opportunity to input into how the fund would be spent. Alongside individuals, local authorities, local businesses, charities, groups and other community organisations should be offered the chance to have their say on the community benefit fund. This wide-reaching and comprehensive engagement would be beneficial when creating an action plan which would clearly set out the vision for the community and the processes needed to achieve this.

Policy questions

29. **Do you think a case-by-case approach to defining the community is appropriate? Are there any other bodies or groups not listed above that should be part of the engagement process for determining eligibility?**

30. **Do you agree that capacity building will be required in communities? What do you believe this should look like and who do you believe is best equipped to carry this out? Please provide reasons for your answers.**

31. **Do you agree that capacity building and engagement should be funded by the community benefit fund administration budget? What do you believe should be done in cases where the administrative cost of capacity building and engagement initiatives are too costly for smaller-scale projects?**

32. **Do you agree community engagement should be led by the fund administrator? Do you believe our proposals have any unfair impacts on those with protected characteristics? If yes, which groups do you expect would be specifically impacted? Please provide supporting evidence.**

Part 2: Shared Ownership

Background

Defining shared ownership

For the purpose of this Working Paper, shared ownership is defined as where a community group is provided with the opportunity to make an investment in a commercially owned renewable energy project, and where the community's share of the development is then considered community owned. Shared ownership includes any structure which involves a community group as a financial partner benefiting over the lifetime of a renewable energy project.

For the purpose of this paper, a 'community group' is either a body or group which represents the interests of members of the community, for example, Zero Chippenham[18].

The opportunities of shared ownership

Great Britain's energy landscape is undergoing a significant transformation. The UK government has set ambitious targets for local and community energy of up to 8GW of local and community owned energy by 2030. The Scottish Government has a target to reach 2GW of community and locally owned energy in Scotland by 2030, and in Wales, the Welsh Government look to meet their longer-term target of at least 1.5 GW of renewable energy generation capacity to be locally owned by 2035.

To achieve these milestones, we need to support community groups who seek to take-up ownership opportunities in their area. Shared ownership presents an opportunity for communities to participate in new renewable energy projects, through investing in renewable energy developments in their area, and benefitting from them. This has the potential to deliver financial, social and economic value to communities[19].

Promoting shared ownership models could help to:

- **Accelerate Net Zero:** When communities feel empowered and invested in a project through effective engagement and meaningful collaboration, we believe they are more likely to support it. We believe that shared ownership can increase community engagement and acceptability of new infrastructure. Furthermore, community engagement in shared ownership projects could also enthuse communities about broader environmental issues, helping to accelerate the deployment of clean energy projects and broaden public acceptance of the Net Zero Mission. If the government decides to further promote shared ownership models, then it is essential that shared ownership does not become an additional hurdle for developers or impact the financial

[18] https://www.zerochippenham.org/
[19] cxc-leveraging-local-and-community-energy-for-a-just-transition-in-scotland-dec-2023.pdf (1.003Mb)

viability of projects, as this could not only jeopardise specific projects but also the wider Clean Power 2030 and Net Zero ambitions.

- **Provide an avenue for community ownership and promote a just transition:** Some communities may wish to fully own and control renewable energy projects in their area, however many do not have the capacity or resources to undertake such projects (with even higher financial barriers in lower-income areas). The issue of capacity and resources also applies to shared ownership, which can require equivalent or even higher levels of financial investment, risk and responsibility as full community ownership. However, partial community-ownership can provide an opportunity for the benefits of these projects to be distributed among those communities.
- **Potential for greater benefits than privately owned projects:** Although shared ownership involves risk and effort, it has the potential to offer financial returns to the community. For example, while individuals who participate in shared ownership can expect to receive a financial return for each year that the infrastructure is operational, the wider community can also benefit. Some shared ownership agreements will enable communities to reinvest surplus funds (profits) into the community in areas such as fuel poverty support and energy efficiency measures for communities' buildings and homes, particularly benefitting those unable to finance these improvements themselves.
- **Utilise local skills and knowledge and developer's expertise:** By collaborating with experienced developers, communities may gain access to technical knowledge and skills such as project management, engagement and relationship building. In situations where communities can grow these kinds of capabilities and experiences, they can in turn, be applied to other community initiatives. For example, Huntly Development Trust[20] (a community organisation based in Aberdeenshire) has leveraged its experience from onshore wind projects to initiate and manage a range of local development programs, including town centre regeneration and sustainable transport schemes. Developers can also potentially benefit by utilising communities' local knowledge to help improve the viability of a project. Furthermore, many community organisations are responsible for running local assets (such as leisure centres) and can be trusted intermediaries that the developer can leverage to deliver local engagement.

As noted above, shared ownership presents an opportunity for communities to participate in renewable energy projects, however it still carries significant risk and requires community capability, particularly for larger scale projects. We acknowledge more needs to be done to build up skills and community capacity if this model is to work effectively on a larger scale. We are also aware that for developers this may add risks to any project. Introducing shared ownership could result in increased complexity and costs, which could impact the financial viability of projects and lead to potential delays in the roll-out of some sites. It is therefore important to gather evidence of the benefits and risks of pursuing a shared ownership model to inform future policy approaches.

[20] https://www.huntlydt.org/

Policy questions

33. **Are you aware of evidence which suggests that shared ownership has or has not delivered the benefits referred to above?**

34. **Are you aware of any evidence to support other benefits of shared ownership for either communities and/or developers?**

35. **Are you aware of any risks arising from encouraging shared ownership schemes?**

History of shared ownership in Great Britain

The **Community Energy Strategy**[21]**,** published in 2014, outlined the then government's vision for increasing community involvement in energy projects, and emphasised the importance of community ownership. It sought to empower communities to take a more active role in our energy system by promoting shared ownership.

The **Shared Ownership Taskforce** was established later that year to facilitate a substantial increase in the shared ownership of new, commercial onshore renewables developments such that by 2015 it should be the norm for communities to be offered the opportunity of some level of ownership by commercial developers. The Taskforce, which included representatives from the renewables industry and community energy groups, developed a voluntary framework for developers in England and Northern Ireland to follow, encouraging them to offer shared ownership options to communities.

The Community Energy Strategy stated that the government would review progress of this voluntary approach to increasing shared ownership and, if progress was limited, the government would consider requiring all in-scope developers in Great Britain to offer the opportunity of a shared ownership element to communities.

The establishment of the Taskforce was followed by introduction of the **2015 Act** which included specific provisions which gave the government power to make regulations mandating that shared ownership must be offered. Notably, Sections 38 and 39 of the Act introduced the **Community Electricity Right**, which, if the relevant powers were exercised, would create a requirement for developers in Great Britain to offer communities the chance to invest in new commercial renewable electricity generation schemes being developed in their area.

The Scottish Government has **Good Practice Principles** for shared ownership of onshore renewable energy developments. These Principles set out guidance for developers, communities and others, and encourage developers to offer shared ownership opportunities to communities as standard on all new onshore renewable energy projects, including repowering of and extensions to existing projects.

The Welsh Government also supports full and shared ownership of renewable energy projects, as set out in its 2020 policy statement[22] and subsequent detailed guidance for developers and

[21] https://www.gov.uk/government/publications/community-energy-strategy
[22] Local ownership of energy generation in Wales: policy statement | GOV.WALES

communities[23]. The guidance describes good practice and sets out the risks and rewards of the process of developing and operating new energy projects.

This section looks to examine, and seek further information about, how successful the existing voluntary approach to shared ownership of energy infrastructure has been in Great Britain.

England

The exact number of shared ownership projects in England is not readily available, but we believe that interest from communities is increasing. Responses to the 2024 DESNZ Barriers to Community Energy Call for Evidence included the following views in relation to shared ownership in England:

- Lack of shared ownership was identified as a barrier to the development of community energy projects.
- Increasing shared ownership could be a solution to some of the barriers facing community energy projects – particularly given the technical and financial support that larger scale developers can offer.
- Shared ownership can support wider community energy co-benefits (such as investment in local communities, and public buy-in and participation in community energy and renewables).

In England, the main form of support for shared ownership has come through the Rural Community Energy Fund and subsequent Community Energy Fund.

Launched in 2023, the £10 million **Community Energy Fund (CEF)** provides:

- **Financial assistance** to community groups, enabling them to invest in and co-own renewable energy infrastructure alongside commercial developers. There are two types of grants available. These include a Stage 1 Feasibility Grant of up to £40,000 to produce a feasibility study to establish the technical and financial viability of a project and/or a Stage 2 Development Grant of up to £100,000 for a more detailed investigation of the technology, for planning applications and to develop a business case.
- **Free expert advice** and sharing of learnings on process and outputs such as legal documents with other communities across the region. Peer to peer mentoring is supported by Local Net Zero Hubs and there is a community energy working group facilitated by DESNZ to share regional learnings.

Financial Support to help build local energy projects. Grant support for community energy groups in England will continue through the 2025/26 financial year through the recently announced Great British Energy: Community Fund. GBE is already funding rooftop solar for public buildings including schools and hospitals[24], and £5m in further support will be available for community energy groups to build clean community-led energy projects. Both funds

[23] Local and shared ownership of energy projects: guidance | GOV.WALES
[24] https://www.gov.uk/government/news/great-british-energy-to-cut-bills-for-hospitals-and-schools

stipulate that voluntary, community and social enterprise organisations applying to RCEF and CEF must own at least 50% of any final energy scheme. We do not currently have data on the proportion of CEF and RCEF funded projects that are shared ownership schemes. However, 29% of community energy organisations are interested in shared ownership[25].

By offering grants, the fund helps communities raise the necessary capital to participate in community and shared ownership schemes, build business cases and complete feasibility studies. In doing so, the fund aims to lower the barriers to entry for community investors and foster greater participation by communities in the energy sector. See Forest Gate case study below.

Information on community groups who have received funding for their projects across England through the Community Energy Fund are hosted on the Midlands Net Zero Hub website.

Case study: Forest Gate Solar Farm[26]

Forest Gate solar farm is a 49.9 MW solar farm with energy storage in North Wiltshire, developed by Eden Renewables, which was granted planning consent in March 2023. Following its expected completion in 2025, up to 20% of the solar farm will be owned by the local community.

Eden Renewables undertook extensive discussions with the local community, including local climate action group Zero Chippenham. Working with Bath & West Community Energy (an experienced community energy group), Zero Chippenham set up a new community benefit society[27], Zero North Wiltshire, to oversee the community ownership side of the project. Zero North Wiltshire received a Stage 2 CEF grant of £99,975 in 2024 for the project and has been working with the Local Net Zero South West Hub to share learnings. The Hub is part of a DESNZ funded programme that provides strategic and technical support to the public sector and communities to develop, finance and deliver net zero energy projects.

Shared ownership through Zero North Wiltshire and Bath & West Community Energy is expected to generate £5 million from a 10MW share over the 40-year project lifetime, to be reinvested in the local community. They are set up as community benefit societies meaning that all surplus will be reinvested in local projects. This will be used to help local initiatives to reduce fuel poverty and carbon emissions and also ensure the community continues to influence the environmental benefits of the project.

[25] https://communityenergyengland.org/files/document/1023/1734627734_CommunityEnergyStateoftheSectorScrollingInfographic2024.pdf
[26] https://solarenergyuk.org/resource/forest-gate/
[27] A legal structure that allows community groups to run businesses for the benefit of the community with any profits invested back into that community. See: https://communityenergyengland.org/files/document/442/1601371597_community_benefit_societies_guide.pdf

Scotland

Starting with only a few projects in the 1990s and early 2000s in Scotland, community and locally owned renewable projects have grown exponentially[28], with examples of community owned renewable energy projects across Scotland, reaching communities from the borders to Shetland.

Shared ownership in Scotland is guided by the Scottish Government's **Good Practice Principles**[29]. The principles encourage developers to offer shared ownership opportunities as standard practice for new projects, including repowering of and extensions to existing projects. The aim is to guide interaction between communities and developers with a view to creating a lasting legacy of economic and social benefit, building community capacity and strengthening corporate social responsibility.

Shared ownership also has an important role to play in helping the Scottish Government reach its target of delivering 2GW of community and locally owned energy in Scotland by 2030, which includes shared ownership projects.

The Scottish Government's Community and Renewable Energy Scheme (CARES)[30], delivered by **Local Energy Scotland**, offers support throughout the project's lifecycle through a variety of means, including:

- **Access to funding and contractors for project management, financial matters and legal matters** to ensure that communities have all the information they need in order to decide if a shared ownership opportunity is right for them.
- **Free, expert, and impartial guidance from specialists** who can inform communities about the benefits of shared ownership and provide guidance
- **Accessible online resources, including toolkits and project guides.** For example, a shared ownership module which provides support to communities looking to invest in a project, outlines the different factors that need to be considered and how to obtain the relevant support when making an investment decision.

The Scottish National Investment Bank (SNIB) invests on a commercial basis in businesses, projects and communities in Scotland to deliver social, financial and environmental returns. SNIB can invest in community and shared ownership projects and seeks to work alongside other investors and crowd capital into opportunities rather than to displace the market.

[28] What makes local energy projects acceptable? Probing the connection between ownership structures and community acceptance).
[29] https://www.gov.scot/publications/scottish-government-good-practice-principles-shared-ownership-onshore-renewable-energy-developments/
[30] https://localenergy.scot/

Case study: Crossdykes wind farm, Dumfries and Galloway

The Crossdykes wind farm project in Dumfries and Galloway demonstrates how community shared ownership can succeed even when developers choose to sell their assets. In 2014, Muirhall Energy offered local communities a community benefit contribution of £5,000 per MW annually and up to 10% shared ownership in the Crossdykes wind farm. Using CARES funding, the community appointed SCENE consultants (a social enterprise focussed on strengthening communities) to explore this opportunity.

From 2019-2021, Dumfriesshire East Community Benefit Group (DECBG), alongside their advisors, evaluated Muirhall's share proposal, which would be financed through an Energy Investment Fund loan. This loan was to be repaid over 17 years using share income.

Recognising the community's financial constraints, Muirhall revised their offer in July 2021, increasing the community benefit to £7,000 per MW annually (£322,000 per year for 23 years) and reducing the community's ownership share to 5%. This shortened the loan repayment period to seven years. After careful consideration and having received expert advice through CARES, the communities accepted this offer, making Crossdykes the UK's first large-scale, subsidy-free wind farm with shared ownership.

In 2022, Muirhall decided to sell Crossdykes wind farm, and provided the community with two options: retain their 5% stake with the new owner or sell their shares. Deciding it was lower risk, the community chose to sell, generating a seven-figure profit. This enabled immediate loan repayment and provided substantial funds for local development. Crossdykes Community Benefit Company hopes to reinvest the sale proceeds in future Muirhall community share offers, pending planning approval of new developments.

Wales

The Welsh Government has supported communities to develop renewable projects for fifteen years, initially through the Ynni'r Fro programme, and more recently the Welsh Government Energy Service. The service provides advice and support to community groups through a network of development officers who help and guide communities and provide access to early development grants and loans for later stages. The Welsh Government Local Energy Loan Fund (operated by the Development Bank of Wales) and Local Energy Grant Fund work together to fund construction of community projects that provide a return to communities. The Welsh Government Ynni Cymru programme helps communities develop smart local energy systems, enabling more complex projects to be developed that use locally generated power more effectively and keep more benefits local.

The Welsh Government set targets for renewable energy in 2017 that aimed for Wales to generate enough renewable electricity to meet 70% of Welsh demand by 2030 and have a gigawatt of locally owned generation by the same date. The target included the expectation that all new energy projects include an element of local ownership. The targets were supported

by policy published in 2020 setting out the rationale for locally owned energy assets[31]. In 2023, the Welsh Government raised its local ownership target for renewable energy to 1.5 GW by 2035, having already nearly reached its initial 1 GW goal for 2030. At 0.9 GW, Wales is 60% of the way towards its new target as of 2023[32].

The Welsh Government published guidance for developers, local communities, and decision-makers on how to implement shared ownership models effectively[33]. This includes advice on organisational structures, financial processes, and engagement strategies to ensure that communities can meaningfully participate in and benefit from renewable energy projects.

The Welsh Government also strongly encouraged shared ownership projects through the energy programme on the Welsh Government Woodland Estate. Leases for commercial wind development were offered to open competition, with selection criteria including the level of local benefit provided. This work led to projects such as the Alwen Forest shared ownership project.

In 2020 Welsh Government worked with Ripple Energy to pilot a cooperative approach to ownership, as Wales is the home of the cooperative movement. In this innovative model Ripple acts as the developer and invites people and businesses to buy in to the scheme and receive electricity at close to the cost of producing it. Welsh Government bought £1.1m of shares in the initial project, Graig Fatha, a single turbine near Merthyr Tydfil, allowing construction to go ahead and helping the company demonstrate that the model works. The returns on the Welsh Government share of the project go directly to two fuel poverty charities in the area local to the turbine.

A range of support is available in Wales for shared ownership, with both the Welsh Government Energy Service and Community Energy Wales offering support to communities in discussion and in understanding the complex projects. CEW also established Ynni Teg, a developer arm that can act on behalf of communities where there is no existing community group to participate.

The loan fund managed by the Development Bank of Wales can provide funds to buy into projects, making shared ownership accessible to less affluent communities.

Community Energy Wales also leads a shared ownership working group that provides support to developers share best practice with each other and communities.

[31] Local ownership of energy generation in Wales: policy statement | GOV.WALES
[32] https://www.gov.wales/sites/default/files/publications/2025-02/energy-generation-in-wales-2023.pdf
[33] https://www.gov.wales/local-and-shared-ownership-energy-projects-guidance - Local and shared ownership of energy projects: guidance

Case Study: Alwen Forest Wind Farm and Grid Connection

The Alwen Forest Wind Farm and Grid Connection in Wales is an ambitious project led by RWE Renewables in collaboration with Community Energy Wales. Work on this shared ownership agreement was started in 2017, two years before the Welsh Government published the policy expectation.

The project is pioneering the shared ownership model in Wales. The project allows for a community to own 15% of RWE Renewables' project as an equity investment. This agreement, signed by Ynni Cymunedol and RWE, ensures that local people can buy shared in Ynni Hiraethog, a Community Benefit Society established to manage the community stake. Local people will be able to buy a share in Ynni Hiraethog on a 'one shareholder, one vote' basis, ensuring a reasonable return on their shares with the knowledge that any surplus funds will be used for community benefit locally.

Community engagement has been a cornerstone of the Alwen Forest project. Since its inception, RWE and Community Energy Wales have worked closely with the local community. This has included informal consultations, public meetings, and independent sessions to gather feedback and ensure community involvement. The project has also been open to letters from the public, with a formal consultation process running until 14 January 2025. This extensive engagement aims to foster public support and ensure that the project meets local needs and expectations.

Many community members have expressed strong support for the project due to its potential to contribute to renewable energy goals and reduce carbon emissions. The shared ownership model has been particularly well received. Local residents have noted that they appreciate the opportunity to invest in the project and benefit financially from its success[34].

[34] https://communityenergy.wales/news/alwen

The current shared ownership landscape in Great Britain

Since 2015, several successful shared ownership projects have been established across Great Britain. However, the offer of shared ownership does not yet seem commonplace in England, though it is more common in Scotland and Wales, potentially as a result of Scottish and Welsh Government initiatives which have sought to encourage and facilitate shared ownership. It is unclear to what extent the varied support offer across Great Britain has impacted the success of shared ownership projects.

This paper seeks views on how successful the current voluntary shared ownership model has been in Great Britain, with a particular focus on England. We welcome views about the barriers faced by communities and developers when considering and implementing shared ownership, and whether there are areas which work well. We believe there are a number of factors which need to be addressed to make shared ownership accessible for communities, including being able to access the required capital to invest in a project, and being able to access support throughout the shared ownership process, including with the legal and financial arrangements associated with shared ownership. The support offered for shared ownership varies across England, Scotland and Wales as the Scottish and Welsh Governments have already put in place supportive policies (see section above). We also seek views on if and how the UK government should support the uptake of shared ownership, in England in particular, on a voluntary basis.

For example, some of the areas that we are seeking views on include:

- **Community capacity and capability:** do communities have sufficient capacity and/or capability to effectively engage with opportunities for shared ownership? If not, what could the UK government do to help boost community capacity and capability? What impact does community capacity and capability have on developers?
- **Finance**: how easy is it for communities to access finance for shared ownership projects? And how does this affect developers?
- **Government support:** what additional steps should the UK government take to make it easier for communities and developers to engage in shared ownership?

International examples of shared ownership models are provided in **Annex B** to illustrate different ways in which the government could offer support.

Policy questions

36. **What are the barriers to shared ownership in Great Britain?**

37. **Do certain communities face barriers to shared ownership more so than others? If so, how and/or why?**

38. **How can government ensure that low-income communities, or those experiencing higher rates of fuel poverty, are able to engage with shared ownership offers?**

39. **Do certain developers and/or particular sectors face barriers to shared ownership more so than others? If so, how and/or why?**

40. **Does a particular barrier represent more of a barrier to shared ownership than others? If so, which and how?**

41. **What actions can the government take to address these barriers and promote further uptake of shared ownership, particularly in England?**

The success of a voluntary approach to shared ownership in Great Britain

The purpose of this Working Paper is to enable the government to better understand how successful the existing voluntary approach to shared ownership has been in Great Britain. Under the Community Electricity Right powers in the Infrastructure Act 2015, we are required to review the success of a voluntary approach to shared ownership and only to consider mandating that developers offer shared ownership, if a voluntary approach has failed. We are therefore seeking views on this and whether the government should consider mandating that developers offer shared ownership to increase take up of shared ownership in Great Britain.

The aim of introducing a mandatory approach would be to increase the level of shared ownership further, if a voluntary approach is not sufficient. This has the potential to help us to achieve the UK government's target of Clean Power by 2030 (including up to 8GW of local and community owned energy) more quickly, whilst also meeting targets for community owned energy set by the Scottish and Welsh governments. It also has the potential to ensure consistency of approach, leading to more transparent and fair processes which could help to build trust between developers and communities, and to ensure that all communities across Great Britain hosting renewable energy projects have the same opportunities to benefit.

However, introducing a mandatory approach could also result in increased complexity and costs, which could damage the financial viability of projects and lead to potential delays. Further information would be needed for the government to understand how a mandatory scheme could impact investor behaviour. Any new mandated approach to shared ownership would need to be underpinned by a future regulatory framework and enforcement regime, the design of which would also need further consideration.

Introducing a mandatory requirement for developers to offer shared ownership is also unlikely to be successful in isolation. It would need to be accompanied by supportive policies to ensure that communities are capable of taking up any offer of shared ownership, including addressing the key issue of addressing access to capital to invest in shared ownership projects and support for communities to engage in shared ownership opportunities.

We welcome views on a mandatory approach and any potential benefits and impacts.

Case study: Denmark

Denmark is a leader in shared ownership, particularly in the wind energy sector. This is a result of requirements set out in their Renewable Energy Act 2008 (see below). As well as establishing a requirement for developers to offer shared ownership to local residents, the Act encourages partnerships between community groups and local utilities. These partnerships help facilitate grid connections and provide technical and financial support for renewable energy projects. Shared ownership is also supported by the Danish Energy Agency, which provides guidance on community engagement and ownership agreements, and the Danish government which provides financial incentives to community-owned projects.

The Renewable Energy Act 2008:

The **Danish Renewable Energy Act requires a 20% share of new wind projects to be offered to local residents.** This includes those living within 4.5km of the nearest turbine or within the relevant municipality. The offer is typically made to residents well before construction begins, ensuring that the community has a financial stake in the project from the outset.

Developers engage with the community through public meetings and consultations to inform residents about the project and the opportunity to purchase shares. The Danish Energy Agency provides guidelines on how to effectively communicate and structure these ownership agreements.

To lower barriers for local investors, the Danish government offers financial incentives such as low-interest loans and grants. This support helps residents afford the investment and encourages broader participation.

Once residents purchase shares, they become part-owners of the wind project. This model not only provides financial benefits to the community but also fosters greater acceptance and support for renewable energy developments.

A significant portion of Denmark's wind infrastructure includes provision for community ownership, with studies estimating that 52% of installed wind capacity in Denmark contained a citizen ownership model[35]. Successful projects like the Middelgrunden wind farm, which is 50% owned by 10,000 cooperative members and 50% owned by the municipal utility demonstrate the success and popularity of the community ownership model.

The model has been praised for increasing public acceptance of wind projects, as local residents feel more involved and benefit directly from the developments. Residents who invest in these projects can receive financial returns, providing an additional income

[35] The past, present and uncertain future of community energy in Denmark: Critically reviewing and conceptualising citizen ownership – ScienceDirectv

stream. For example, the Middelgrunden wind farm has generated a 7.5% return for its cooperative members.

However, the model has received criticism regarding the financial returns on investments, with some residents feeling that the returns are not as high as expected[36], and broader concerns have been raised about the transparency of the process, feeling that the distribution of benefits and decision-making lacks clarity[37]. These criticisms have led to perceived unfairness, with some residents feeling that the benefits and burdens of wind projects are not fairly distributed.

Expanding shared ownership based on the community electricity right

The Community Electricity Right is a legislative power, set out in the 2015 Act, to make regulations that, if exercised, would require developers of renewable electricity generation projects in Great Britain to offer communities the opportunity to purchase a stake in new renewable electricity generation schemes being developed in their area.

The Community Electricity Right provisions create a broad enabling framework in primary legislation, leaving the finer details of implementation to be set out in any secondary legislation, should the powers be exercised. Should the government determine that it is necessary to expand shared ownership, then we must consider whether the provisions in the 2015 Act remain appropriate for this purpose. As well as seeking views on the voluntary approach to shared ownership, this paper is also seeking views on the Community Electricity Right. A summary of the relevant provisions is below.

If exercised, the Community Electricity Right would apply to new renewable electricity generation projects in Great Britain with an expected installed capacity of 5MW or more. The 2015 Act defines a renewable generation project as a facility using a renewable source of energy to generate electricity, such as onshore wind, offshore wind or solar. The definition of "renewable source" comes from Section 32 of the Electricity Act 1989: sources of energy other than fossil fuel or nuclear fuel.

The 2015 Act states that the types of stake that could be offered by developers to the community may include shares in a company, other interests in a body other than a company, a right to a royalty related to revenues, an equitable interest, or a loan. The minimum size of stake that must be offered by developers would need to be set in secondary legislation, but the 2015 Act specifies that this could not exceed 5% of total capital costs of development of the facility. Any regulations implementing these powers would not apply retrospectively nor apply to projects that have already received planning consent. The relevant provisions can be found

[36] https://tethys.pnnl.gov/publications/distributive-fairness-local-acceptance-wind-turbines-role-compensation-schemes
[37] https://tethys.pnnl.gov/publications/distributive-fairness-local-acceptance-wind-turbines-role-compensation-schemes

at Section 38 and 39 and Schedule 6 of the 2015 Act. The Community Electricity Right[38] policy brief provides further information on this.

Policy questions

42. **How successful has a voluntary approach to shared ownership been? Should the government continue with a voluntary approach or consider expanding shared ownership, possibly via a requirement for developers to offer shared ownership to eligible communities?**

43. **If shared ownership is expanded, should regulations be made in accordance with the existing provisions relating to the 'Community Electricity Right' in the 2015 Act? If you consider that amendments should be made to the scope of the existing provisions, what changes should be made and why?**

44. **If shared ownership is expanded, how will communities and developers need to be supported for a mandatory shared ownership scheme to be successful?**

45. **If shared ownership is expanded, should there be exemptions to the expansion?**

46. **If shared ownership is expanded, how should developers' engagement with communities take place?**

47. **Are you aware of any risks or potential adverse impacts arising from expanding shared ownership either in line with the 2015 Act provisions or otherwise?**

[38] https://www.gov.uk/government/publications/infrastructure-bill-the-community-electricity-right

Annex

Annex 1: Technology summaries

The following summaries provide information for reference on a comprehensive but non-exhaustive list of the technologies which may be included in the scope of the policy.

Offshore wind

Offshore wind is a renewable energy source that harnesses wind power from turbines located off the coast. It is a well-established form of generation, with a current installed capacity of 14.8 GW. Offshore wind is expected to be central to achieving clean power targets and significant expansion of capacity is required. Floating offshore wind is a newer form of the technology which Great Britain is playing a leading role on. Developers of offshore wind projects often provide voluntary community benefit funds on a regional basis given the unique challenges of defining communities for offshore wind developments. Offshore wind farms can vary in size with the largest arrays having a capacity of over 2GW. Offshore wind farms are predominantly located off the east coasts of Scotland and England, with a cluster adjacent to Merseyside and North Wales, and one off the coast of Sussex.

Onshore wind

Onshore wind is a renewable energy source that uses wind turbines located on land to generate electricity. It is well-established in Great Britain, with 14.2GW of installed capacity. Onshore wind is expected to play a significant role in achieving Clean Power by 2030 and Net Zero by 2050. The Community Benefits Guidance for Onshore Wind in England[39], and the Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments[40] provide guidance for onshore wind currently. Developers often provide community benefit funds to support local projects. Onshore wind farms are concentrated to some extent in Scotland and Wales due to a de facto ban on onshore wind in England having been in place between 2015 and 2024.

Solar

Solar power is a renewable energy source that converts solar energy into electricity using photovoltaic panels. It is well established in Great Britain, with 17.5GW of installed capacity, across both ground-mounted, and rooftop solar (rooftop solar would not be in scope of the scheme). Solar power is a generation type with one of the highest growth projections in the Clean Power Action Plan. The Government re-established the Solar Taskforce last year to identify and drive forward the actions needed to unlock solar deployment and oversee the development of a new Solar Roadmap, which will be published in Spring 2025, setting out

[39]Department for Energy Security and Net Zero. 'Community benefits and engagement guidance for onshore wind' 2021
[40] Scottish Government. 'Community benefits from onshore renewable energy developments' 2019

recommendations on how we and industry will work together to achieve our solar ambitions. Some solar developments already provide hosting communities with benefits agreed at a local level between operators and communities, and The Scottish Government's Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments provide guidance for solar energy developments currently. To improve consistency and quality of community benefits provided, Solar Energy UK has committed to publishing a community benefits protocol and guidance later this year.

The level of community benefits varies and is typically lower per MW of capacity than for wind power. Solar farm installations are more prevalent in the midlands and Southern regions of England due to favourable climatic and topographic conditions, but can be found across the UK

Marine

Marine energy encompasses tidal stream and wave energy, which harness the power of ocean currents and waves to generate electricity. Tidal stream is an emerging technology which captures kinetic energy from tidal currents, it is a predictable (rather than intermittent) form of renewable generation. Wave energy is a developing technology which utilises the movement of waves to produce electricity. Marine energy is expected to play a growing role in the UK's renewable energy mix in the future. Tidal stream projects are located in coastal areas with strong tidal currents in Scotland and Wales, and wave energy is being developed in regions with high wave resource including southwest England and around the northwest of Scotland.

Low carbon

Power CCUS

Power CCUS (Carbon Capture, Utilisation, and Storage) involves capturing emissions from natural gas fuelled generation plants and either utilising or storing them. This technology is emerging and aims to provide flexible, low carbon electricity. Power CCUS is expected to play a crucial role in the UK's energy transition, helping to achieve net zero emissions by 2050. The UK government has committed up to £20 billion to support the initial deployment of CCUS, with plans to create four CCUS clusters by 2030. Power CCUS projects will be primarily located in industrial clusters such as in the north of England.

Hydrogen

Hydrogen to Power (H2P) involves using hydrogen as a fuel to generate electricity. This technology is emerging and aims to provide flexible, low carbon electricity. H2P is expected to play an important role in the UK's energy transition, helping to achieve Net Zero emissions by 2050. The UK government is supporting the deployment of H2P through the introduction of a Hydrogen to Power Business Model to de-risk investment and accelerate deployment.

Nuclear

Nuclear power is a baseload power source that provides a stable, low carbon and continuous supply of electricity. It is established in the UK, with five operational sites. The Clean Power 2030 Action Plan highlights the important role nuclear will play in our future energy system. This includes both large-scale nuclear projects, such as Hinkley Point C, and Small Modular Reactors (SMRs). SMRs may play an important role in the future of the UK's energy system by reducing construction times and costs, and providing flexible, low carbon power. New nuclear projects often include community benefit schemes to support local areas. Nuclear power plants have often been located in coastal areas across Britain, although can also be located near to estuaries, lakes, rivers or reservoirs.

Storage

Battery

Battery energy storage systems store electricity for later use, providing flexibility and balancing the grid. Battery technology is rapidly advancing, with increasing installations in the UK. It is among the technologies with the highest forecast growth projections. Batteries are expected to support the integration of renewables and enhance grid stability. Some battery projects provide local community benefits, but there is not a consistent approach. Battery storage facilities are installed across the UK.

LDES

Long duration electricity storage (LDES) technologies store energy for extended periods and help to decarbonise the system by supplying electricity continuously for hours or days. It includes pumped storage hydro, a long-established and mature technology, and other more recently developed technologies such as liquid air energy storage. LDES may play a greater role in the future by replacing flexibility from unabated gas. LDES projects often involve significant local investment, and some sites provide community benefit funds. Pumped hydro projects are concentrated in Scotland. The first largescale liquid air energy storage project is under construction in the north-west England. Ofgem will introduce a cap and floor scheme to support investment in long-duration electricity storage, opening the scheme to applications in Q2 2025.

Annex 2: Additional international examples of shared ownership

Germany

Germany has a long history of shared ownership, particularly of wind farms, supported by policies that encourage local ownership. Germany's Renewable Energy Sources Act (EEG) facilitates and promotes the shared ownership of energy infrastructure in several ways. However, there is no legally mandated requirement for developers to offer shared ownership. Shared ownership models are common, whereby local residents can buy shares in renewable energy projects and share in the profits.

The Renewable Energy Sources Act (EEG)

- Financial Incentives: The EEG provides financial incentives such as feed-in tariffs and market premiums for renewable energy producers. These incentives make it economically viable for smaller entities, including community groups and cooperatives, to invest in renewable energy projects.
- Simplified Procedures: The EEG includes provisions to simplify the administrative procedures for setting up renewable energy projects. This reduces the bureaucratic burden on smaller investors and community groups, making it easier for them to participate in the energy market.
- Priority Access to the Grid: Renewable energy installations, including those owned by communities, are given priority access to the electricity grid. This ensures that the energy they produce is used first, providing a stable revenue stream for community-owned projects.
- Support for Innovation: The EEG supports innovative concepts that combine renewable energy sources with local storage solutions, such as hydrogen-based electricity storage. This can enhance the viability and sustainability of community-owned energy projects.

The success of this approach can be seen in the increased levels of community involvement. By the end of 2010, 'community' energy made up 40% of Germany's total renewable energy capacity, largely through private citizens investing in energy cooperatives. A further 11% was owned by farmers and 14% by project developers with the 'Big Four' utility companies – E.ON, RWE, EnBW and Vattenfall - only controlling a 13.5% share of the market. Community and shared ownership of wind turbines and increasingly solar PV installations are the most common forms.

However, the cost of supporting renewable energy throughout the EEG are passed onto consumers, leading to higher electricity prices for households and businesses. In addition to this, the frequent changes and updates to the EEG have created a complex regulatory environment which can be difficult for smaller actors to navigate.

Canada

In Canada, shared ownership of energy infrastructure is facilitated through several key mechanisms, particularly focussing on Indigenous communities.

Canada's commitment to reconciliation with Indigenous peoples includes recognising their right to economic self-determination. This has led to policies and legal frameworks that support Indigenous equity ownership in energy infrastructure. Various provinces support community energy projects where local residents can invest in and own renewable energy installations. These projects often involve cooperatives or local municipalities.

Indigenous communities receive financial support and advice to help them acquire equity shares in high-value projects, promoting economic development and energy sovereignty. Mechanisms include:

- Equity Ownership Requirements: Some provinces, like British Columbia, have introduced requirements for new energy projects to include a minimum percentage of Indigenous ownership. For example, BC Hydro's recent procurement process mandated that projects must be at least 25% owned by First Nations.
- Financial Support and Incentives: The Canadian government and various provincial governments provide financial support and incentives to facilitate Indigenous participation in energy projects. This includes grants, low-interest loans, and other financial mechanisms to lower the barriers to entry. Non-Indigenous groups can also access financial incentives, grants, and low-interest loans to support their investment in renewable energy projects.

The United States:

In the United States, community solar projects are a popular form of shared ownership. These projects allow multiple participants to invest in a single solar installation and receive credits on their electricity bills for their share of the power produced. This model makes solar energy accessible to those who cannot install panels on their own properties.

The United States supports community solar projects through various state-level policies and incentives. Policies vary widely between states, with some offering substantial incentives and others providing minimal support. Shared ownership of renewable energy infrastructure is facilitated and promoted through several key mechanisms:

- Financial Incentives and Support: Federal and state governments offer various financial incentives, such as tax credits, grants, and low-interest loans, to support community-owned renewable energy projects. These incentives help lower the financial barriers to entry for communities.
- Policy Frameworks: Policies like the Public Utility Regulatory Policies Act (PURPA) and state-level renewable portfolio standards (RPS) encourage the development of

community-owned renewable energy projects by requiring utilities to purchase power from small renewable energy producers.

- Shared Renewables Programs: Organizations like the Interstate Renewable Energy Council (IREC) provide guidelines and model rules for shared renewable energy programs. These programs are designed to ensure that low- and moderate-income (LMI) households can also benefit from renewable energy.
- Partnerships with Utilities: Many utilities offer programs that allow customers to invest in or purchase renewable energy from community projects. These partnerships help facilitate the integration of community-owned projects into the broader energy grid.

The approaches to shared ownership in Canada and the United States empower local communities by enabling them to obtain a stake in renewable energy projects.

However, both models involve a reasonably high degree of complexity which require significant coordination and expertise. Operating within these models can be challenging and time-consuming for both community groups and developers. Furthermore, in the United States, the regulatory environment is fragmented, making it difficult to implement shared ownership models consistently across different states and regions.

This difficulty is likely to be a key reason why only a limited number of shared ownership projects have come to fruition, indicating that there are still barriers to widespread adoption. A market snapshot of Indigenous ownership of Canadian renewable energy projects from 2023 notes that there has been a sharp increase in the number of projects which are wholly, or part owned by Indigenous groups since 2010[41]. While policies to promote shared ownership may have played a role in this, the report notes that the increase in the number of projects is largely due to growing electricity demand across the country and the decreasing cost of solar and wind projects.

Norway

Norway supports shared ownership through cooperative models and local investment funds. The government provides grants and low-interest loans to help communities invest in renewable energy projects. These initiatives enable communities to invest in and benefit from renewable energy projects, such as small-scale hydroelectric plants and wind farms; many small-scale hydropower plants are owned by local municipalities, cooperatives, and private landowners.

In Norway, shared ownership of renewable energy infrastructure is facilitated and promoted through several key mechanisms:

- Financial Incentives and Support: The Norwegian government provides financial incentives and support for community-owned renewable energy projects. This includes

[41] https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/market-snapshots/2023/market-snapshot-indigenous-ownership-canadian-renewable-energy-projects-growing.html

grants, low-interest loans, and other financial mechanisms to reduce the financial barriers for local investors.

- Green Certificates: Norway participates in the Green Certificate system, which incentivises the production of renewable energy. Producers of renewable energy receive certificates that can be sold to utilities and other entities required to meet renewable energy targets. This system supports the financial viability of community-owned projects.
- Policy Frameworks: The Norwegian government has implemented policies that encourage the development of renewable energy projects with local ownership. These policies aim to increase local participation and ensure that the benefits of renewable energy projects are shared with the communities where they are located.

Sweden

Sweden's energy policies encourage the development of community-owned renewable energy projects. The government has set ambitious renewable energy targets and provides a supportive regulatory environment for community energy projects. Local energy cooperatives are common, and the government provides financial incentives and technical support to facilitate community involvement - this includes grants, subsidies, and low-interest loans to help reduce the financial barriers for local investors.

Similarly to Norway, Sweden participates in the Green Certificate system, which incentivizes the production of renewable energy. Producers of renewable energy receive certificates that can be sold to utilities and other entities required to meet renewable energy targets. This system supports the financial viability of community-owned projects.

The joint Green Certificate market, established in 2012, has helped to significantly increase renewable energy production in both Norway and Sweden. However, while the scheme has been successful in increasing overall renewable energy production, the participation of community-owned projects has been limited. Larger, more established entities have been better positioned to take advantage of the scheme, meaning that it may not be a suitable mechanism for facilitating shared ownership in Great Britain. However, similarly to Scotland, Norway and Sweden have demonstrated that grants and low-interest loans can help lower the financial barrier for communities to engage in shared ownership projects.

This publication is available from: www.gov.uk/government/publications/community-benefits-and-shared-ownership-for-low-carbon-energy-infrastructure

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