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The role of Community Benefits Agreements (CBAs) in Offshore Wind Farm developments

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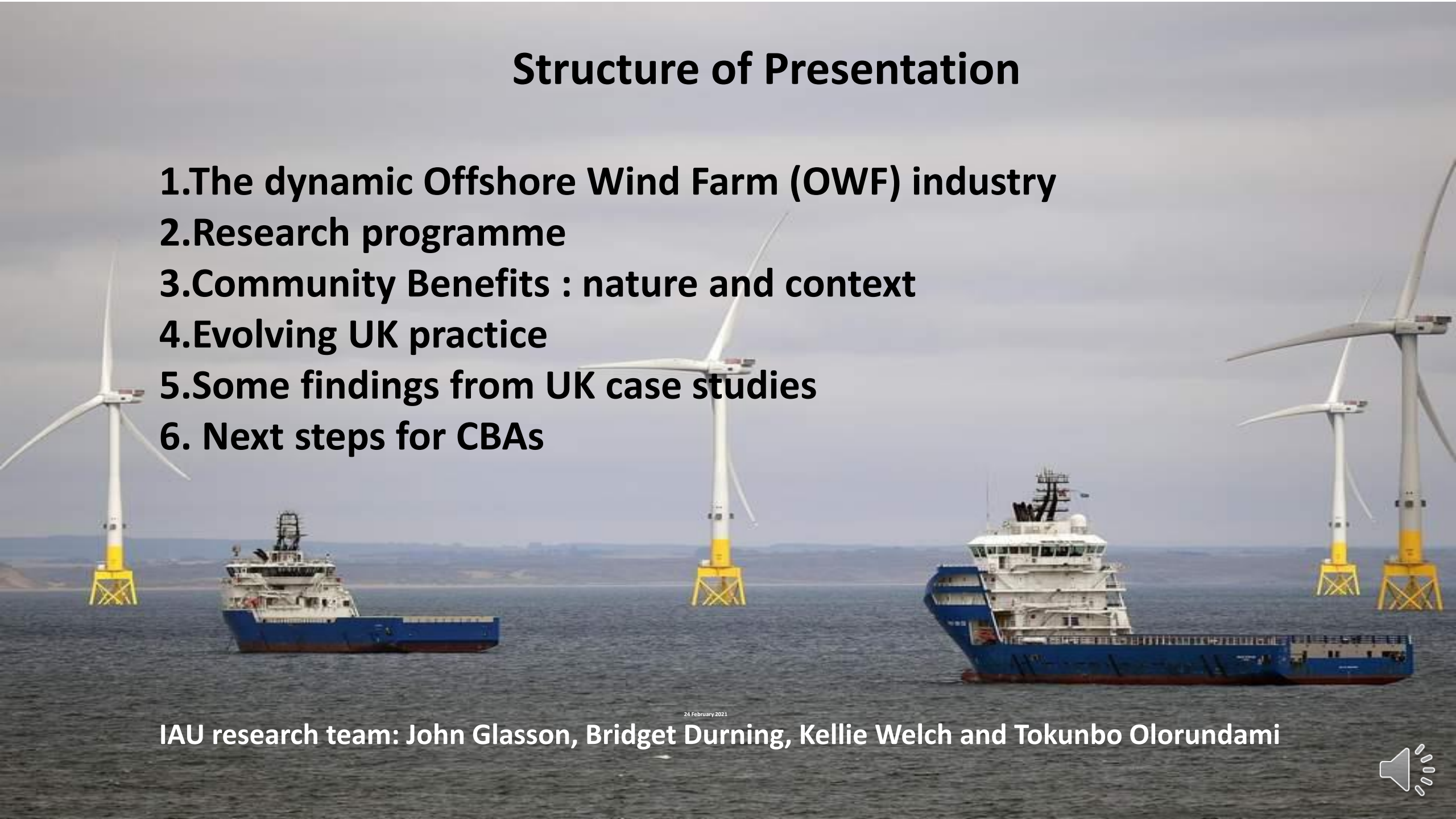
Structure of Presentation

1.The dynamic Offshore Wind Farm (OWF) industry
2.Research programme
3.Community Benefits : nature and context
4.Evolving UK practice
5.Some findings from UK case studies
6. Next steps for CBAs



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Country	Number of Wind Farms Connected	Cumulative Capacity (MW)	Number of Turbines Connected	Net Capacity Connected in 2019	Number of Turbines Connected in 2019
UK	**40**	**9,945**	**2,225**	**1,760**	**252**
Germany	28	7,445	1,469	1,111	160
Denmark	14	1,703	559	374	45
Belgium	8	1,556	318	370	44
Netherlands	6	1,118	365	0	0
Sweden	5	192	80	0	0
Others	9	114	31	8	1
Total	110	22,072	5,047	3,623	502

1. The dynamic UK Offshore Wind industry (Wind Europe 2020)

Potential UK capacity trebling to 40GW by 2030; up to £50bn infrastructure spend

Rapid fall in unit cost – next generation of OWFs expected to cost about £40 for every MW generated

Renewables in total, dominated by wind power, outstripping fossil fuels for electricity supply to UK homes and businesses for first time since C19.

Part of UK Govt's Green Revolution---*the Saudi Arabia of Wind!* (PM-Nov 2020)

2. Research Programme

- *Part of European Offshore Wind Deployment Centre (EOWDC) scientific research programme funded by the EU via Vattenfall*, as part of support package for developing the Aberdeen Offshore Wind Farm. Focus on developing guidance on assessing the local socio-economic impacts of OWFs.
- *Until recently --- socio-economic impacts seen as the 'poor relation' in impact assessment. But now* ---importance of an integrated assessment of the potential impacts of major projects (biophysical and socio-economic); also 'social licence to operate'; community acceptance issues; jobs
- Socio-economic impacts for OWFs – *out of sight ,out of mind; gone with the wind?* But all OWFs come ashore at various stages in their life cycle.
- *International drivers for socio-economic impact assessment* --- IFC/World Bank performance standards (2017); IAIA Guidelines for Social Impact Assessment (2015); even the EU: revised EIA Directive (2014)

The aims and methods of the research programme

Aims –

Explore methods used to predict socio-economic impacts

Compare predicted impacts with actual impacts

Enhance understanding of OWF socio-economic impacts

Highlight best practice in how to maximise local benefits

Methods – 4 parallel elements, to:

Examine socio-economic impacts literature, especially on OWFs

Review the socio-economic content in recent OWF ESs for UK and other EU states

Monitor the EOWDC (Aberdeen OWF) over the project lifecycle

Compare EOWDC impacts with other studies of OWFS: Beatrice, Hornsea and floating OWFs

Community Benefits Agreements (CBA) were identified as an emerging important element in the development of UK OWFs.

3. Community Benefits Agreements: Nature and Context

What they are:

- Developers provide community benefits normally voluntarily, and additionally, outside of the planning and licensing system.
- They are provided to communities associated with a development, increasingly in the form of a monetary annual payment, often referred to as a community benefits fund.
- The community can apply to use the fund for a wide range of local socio-economic and environmental initiatives.
- In total, the community benefits usually come in some form of Community Benefits Agreement (CBA)

And, what they are not:

- They are not material considerations in the project decision–making process.
- They are not mitigation measures to manage adverse project impacts, nor are they enhancement measures for increasing positive project impacts, for example for local employment and supply chain benefits – important though these measures are.
- The above (jobs etc)are material considerations in the decision making process, and can be significant, especially in the often-overlooked 20-25 years operation and maintenance stage of the OWF life cycle.

Justification for CBAS at all, and especially for OWFs

- CBAs are not new. For example, the UK onshore wind farm industry has well developed approaches.
- In Scotland, there is clear government guidance and projects pay host communities £5000 per installed MW pa.
- But, whilst accepted for many types of major project, CBAs have raised controversy *(views range between extremes of developer altruism to cynical attempts to buy a planning permission*).
- Particular issue for OWFs, where the community may be quite remote from the offshore turbine locations.
- It is a fuzzy area.

- *Views on justification can vary markedly between key stakeholders*.
- *Developers* – being a good neighbour, corporate social responsibility, social licence to operate rather than paying compensation.
- *Communities and governments (local and central)* talk of sharing in the benefits of locally located renewable energy projects, participation in energy transition in national interest.
- Additionally always likely to be some indirect disturbance effects which are not easy to address.

4. Evolving UK practice for OWFs

- For period from 2000 –c2010, CBA practice was somewhat ad hoc. None for many projects, but some early exemplars (eg 900MW Rhyll Flats had £1000 MW pa).
- For period 2010 to 2020, projects are much larger and much further off coast, much higher incidence of community benefits funding, with 17 out of 22 operational / under construction projects having actual funding or funding under consideration.
- Apply equally to coastal and far-offshore projects. Amount per MW pa is generally low £250-500, but some as high as £1500; but—large MW projects so still sizeable sums.

Evolving practice (contd)

UK Crown Estate (CE) manages and leases (for vast amounts) the UK seabed. Recent report by the agency notes:

'***Community benefit schemes are now well established as an integral part of offshore wind energy development – signifying the positive relationships being built between operators and the local communities within which they operate***.'

CE estimates spending on community benefits was c£3m in 2018, and will be worth over £100m to local communities during lifetime of current operational projects.

Table 3. Distribution of 2018 Community Benefits Funding by Category of Project Supported Source: Crown Estate (2019)

Category of Project Supported	% of £3m funding for 2018
Community buildings and facilities	34
Education and jobs	26
Health and wellbeing	17
Community activities and services	13
Nature and conservation	5
Sport and leisure	5

5. Some findings from UK case studies

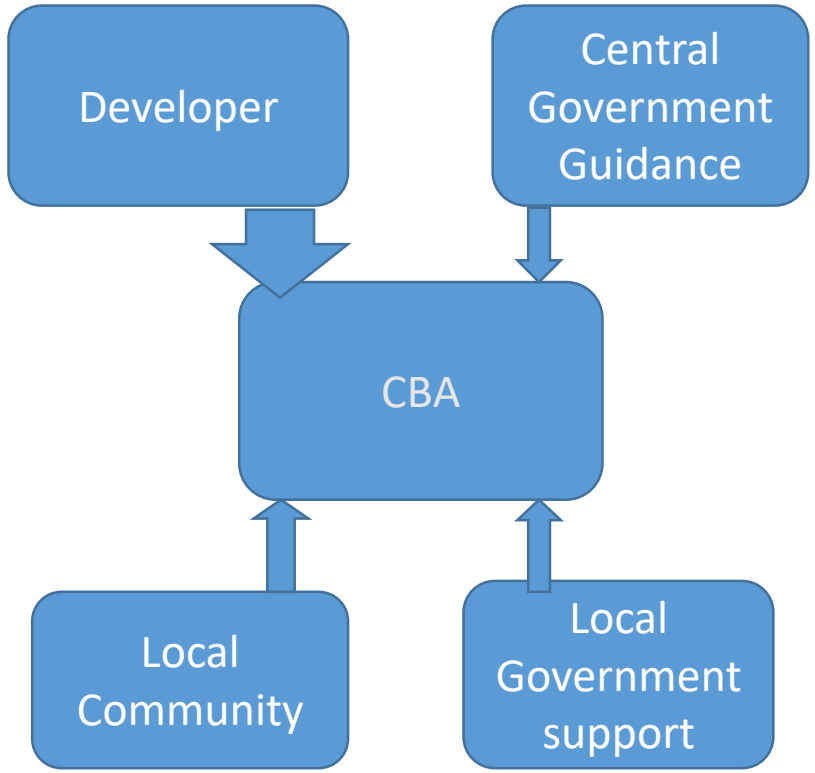
Case studies included a range of size, locations and developers:

- Aberdeen (96MW) Vattenfall-2km off coast
- Beatrice, NE Scotland (580 MW) SSE—13km off coast
- Hornsea Array (c7000MW) Orsted –100km off coast

All have CBAs, but vary greatly in size and content. Aberdeen --£1500 MW pa, Beatrice -- c£500, Hornsea Array –c£265

Possible explanations of variations: distance off –coast, different developer policies, as well as nature of power relationships between key stakeholders

Key stakeholders/ power relationships influencing the nature of CBAs:



Community Benefits Funding—Aberdeen EOWDC good example

- **Built on Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments (Scottish Government, 2014)**
- **Vattenfall Local Community Liaison Officer followed up with discussions with local stakeholders, and online survey of the local community on various options/priorities for the Aberdeen fund.**
- **Positive outcome is a fund of £150,000 pa for 20 years. It applies to the whole of Aberdeen City and Aberdeenshire, but with 10% pa ringfenced for Blackdog community (sub-station location).**
- **Two levels of application—small projects (up to £2000), and large projects (up to £15000). A part-time community development officer appointed to offer support to communities to develop ideas and approaches to make the most of the funding and achieve maximum impact.**
- **Applications invited---Unlock our Future fund --- administered by Foundation Scotland.**

Good practice CBA lessons include:

- open consultative approach with local community, involving survey work, to establish preferences for nature of CBA;
- two–tier geographical distribution, with Inner and Outer areas, and guaranteed share of funding for Inner Area communities;
- good use of decision making boards, with local representation, and independent external management; and
- the use of a wider Social Return on Investment (SROI) approach, to comprehensively assess CBA impacts.

Some CBA issues/ remedies include:

- importance of operable criteria and support to potential applicants to manage the application process, and to fully utilise available funds;
- very wide variations in level of funding per MW pa, suggesting case for perhaps a basic level per MW pa, to be increased according to local circumstances; and
- over focus on narrow environmental sustainability criteria in some cases, and on community criteria in others, perhaps making case for more mixed community and environmental focus

6. Conclusions and next steps

Some examples of convergence in a divergent practice:

- Adoption of annual community benefits funds as key element of CBAs.
- Recognition of importance of early community engagement.
- The growing importance of ‘social licence to operate’, some community scepticism at low level of funding, plus some demand for government guidance, may be shifting the balance of power relationships between the main stakeholders.

Let's continue the conversation!

Post questions and comments via chat in the IAIA21 platform.

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