Solar Energy Scotland

Consultation Response

# Community Benefits from Net Zero Energy Developments

April 2025

**About us**

Solar Energy Scotland is the trusted industry trade body for solar energy in Scotland. Alongside Solar Energy UK, we represent a thriving member-led community of businesses and associates, ranging from ambitious and innovative SMEs to global brands.

Together with our members, Solar Energy Scotland works to shape policy to realise the potential of solar and energy storage in Scotland, and to work with Government and all stakeholders to deliver on climate change obligations and net zero greenhouse gas emissions by 2045.

**Respondent details**


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- **Would you like this response to remain confidential**: No
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# Response to Consultation Part 2: Onshore Renewables

**Overview**

We welcome this opportunity to engage further with Scottish Government on community benefit provision.

Solar Energy Scotland is the trusted industry trade body for solar energy in Scotland. Alongside Solar Energy UK, we represent a thriving member-led community of businesses and associates, ranging from ambitious and innovative SMEs to global brands.

Together with our members, Solar Energy Scotland works to shape policy to realise the potential of solar and energy storage in Scotland, and to work with Government and all stakeholders to deliver on climate change obligations and net zero greenhouse gas emissions by 2045.

Community benefit is a unique feature of the renewables industry. The contributions made by the sector, within Scotland and across the UK, are to be celebrated. However, expectations regarding community benefit levels must reflect the economic reality, in which overall project costs are rising, while government seeks to secure power at the lowest costs to the consumer.

We are providing a response to the onshore aspects of this consultation – in relation to solar and battery energy storage systems (BESS). Our key points are summarised below.

<u>The purpose of community benefits:</u>

- The founding rationale for community benefit was to recognise communities that host renewable energy generation infrastructure, enabling these communities to see tangible benefits provided through our projects, in addition to climate benefits, which can be less immediately tangible. This remains the rationale.

<u>The scope of the Good Practice Principles (GPPs):</u>

- We are content for solar PV to be included within the scope of the GPP. However, it is not economically feasible to expect solar projects to provide community benefit contributions (either financial or in-kind) that are anywhere

near the levels currently expected for onshore wind, due to a range of factors, as previously provided to Scottish Government and as discussed further in response to Question 12b.

- Based on the current logic of the existing community benefits system for electricity generation it would seem appropriate for both solar and wind power to pay community benefits, where they are co-located.
- We do not believe that the scope of the GPPs should be extended to BESS at this time – whether stand-alone or co-located with solar projects. As a relatively new technology at grid scale, we believe that more work is needed to understand the different project economics of this technology before guidance on community benefit can be considered. As a technology that supports renewable generation, and is not itself a generation technology, we also question whether seeking community benefits for this technology is appropriate.
- While community benefits are voluntary, it is worth noting that they none-the-less have an impact on the cost of energy paid by consumers – as the costs of community benefits will need to be recouped by the renewable energy owner / operator.

<u>Identification of eligible communities:</u>

- We support the retention of existing levels of flexibility provided through the GPPs and consider these to be necessary in enabling host communities and developers to create approaches that meet the needs of individual communities.
- Where appropriate and feasible, developers already seek to coordinate their community benefit arrangements, and we encourage this approach. We consider the renewables industry to be best placed to identify when it would be most appropriate to coordinate community benefit arrangements and do not believe that this requires further oversight, beyond those already contained within the existing GPPs.

The wider benefits provided by solar and storage projects:

- Solar and battery storage projects directly address fuel poverty, provide jobs, and provide economic stability for farming businesses through an alternate source of income (land rental and other supporting activities associated with the ongoing operation of the project).
- These projects also support local authority strategies to retain young people in remote and rural populations. In addition, the biodiversity benefits of solar farms can be hugely significant – helping to deliver government and local authority objectives and targets for wildlife restoration – at no additional cost to the taxpayer.
- We recommend that these benefits be explicitly recognised in the revised GPPs.

Setting a funding benchmark:

- We do not support the continuation of a recommended benchmark of £5,000 per MW of installed capacity, per year, as this is simply not viable for solar, co-located solar and BESS, hybrid generation projects, or BESS projects. This level of community benefit was established for commercial scale onshore wind projects at a time when the primary route to market was through the Renewables Obligation (RO) – which was a much more generous system than the Contracts for Difference (CfD) regime. The CfD regime is designed to deliver the lowest possible energy export price that a project can withstand.

Solar Energy Scotland would welcome further engagement on this issue and would be happy to discuss any points raised in this response.

## Extending the scope of the Good Practice Principles

**1. a) Which of the following onshore technologies should be in scope for the Good Practice Principles? Select all that apply.**

Solar

We believe that it is appropriate for solar farms above 5MW to be subject to the Good Practice Principles (GPPs). However, as stated below, we do not support the

existing benchmark within the GPPs. This is discussed further in response to Question 12b.

Stand-alone Battery Energy Storage Systems (BESS)

Stand-alone BESS projects are a relatively recent form of development, designed to support the transition to a renewable-led energy system. Adding battery storage to the network helps to balance supply and demand on the electricity grid, reduce the need for expensive fossil fuels at times when levels of renewable generation are low, and therefore helps to achieve lower energy costs overall.

As a relatively new technology at grid scale, we believe that more work is needed to understand the different project economics of this technology before guidance on community benefit can be considered. As a technology that supports renewable generation, and is not itself a generation technology, we also question whether seeking community benefits for this technology is appropriate.

Co-located sites – Solar and BESS

As we move towards the full decarbonisation of electricity, continued expansion of the renewable energy and storage sector will be required to decarbonise (electrify) our heat and transport sectors, which are largely fossil fuel dependent at present. As we electrify these sectors, co-located sites will become more commonplace.

However, due to the relatively small footprint of BESS, the geographical size of co-located solar and BESS projects and their impacts on communities does not significantly differ from that of a single technology. The inclusion of BESS within a co-located site does not change the amount of electricity generated, as the function of the BESS is to store excess solar power, for dispatch onto the grid network when it is needed, and when the solar farm is not generating (e.g. at night).

As the use of BESS in co-location with solar is a relatively new form of development, we believe that more work is needed to understand the different project economics of this technology before guidance on community benefit can be considered. As a technology that supports renewable generation, and is not itself a generation technology, we also question whether seeking community benefits for this technology is appropriate.

Co-located sites – Solar and Wind

If following the current logic of the existing community benefits system for electricity generation it would seem appropriate for both solar and wind power to pay community benefits. However, it is not economically feasible to expect solar projects to be able to provide community benefit funds that are anywhere near the levels currently expected for onshore wind, due to a range of factors discussed further in response to Question 12b.

While community benefits – either financial or in-kind – are voluntary, it is worth noting that they have an impact on the cost of energy paid by consumers – as the costs of community benefits will need to be recouped by the renewable energy developer, or owner / operator.

Transmission Networks

The UK Government is currently considering recommendations on the provision of community benefits from transmission infrastructure, subject to Ofgem approval. We recommend a single UK-wide approach to community benefits for transmission infrastructure.

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

We believe that only commercial scale ground-mounted projects above 5MW should be expected to pay community benefits and be included within the GPPs. All behind-the-meter projects should also be excluded from the GPPs as, in these cases, energy will be intended for on-site use.

With regard to BESS, further work is needed to understand the different project economics of this technology before guidance on community benefit can be considered.

**2. Should the same Good Practice Principles apply in a standard way across all the technologies selected, or should the Good Practice Principles be different for different technologies? Please explain the reasons for your answer and provide evidence where available.**

The Good Practice Principles

We support the existing GPPs set out by the Scottish Government – as follows:

- Creating a lasting legacy
- Building trust and transparency
- Taking a flexible approach
- Developing a community action plan
- Decisions being best led locally
- Establishing fair processes between the renewables industry and the community.

We therefore recommend that these GPPs apply across all technologies, as these provide a clear framework for community engagement and fund management, appropriate to all technologies offering community benefits. Communities are familiar with these GPPs and we believe that they work relatively well.

The benchmark of £5,000/MW installed

However, we do not support the continuation of a recommended benchmark of £5,000 per installed megawatt per annum, as this is simply not viable for solar, or co-located solar and BESS. We have similar concerns regarding the viability of stand-alone BESS projects. Please see our response to Question 12b for further details. In addition, different locations and cost/revenue profiles from individual projects make it extremely difficult to apply a 'one size fits all' approach.

Business rates

As well as looking to industry to provide benefits to communities, government should also consider how it can use fiscal measures, such as localising business rates in a more targeted way towards common objectives shared by government and industry. These objectives include the production of low-cost energy, tackling climate change with the urgency required, and ensuring that local communities hosting infrastructure projects see direct benefit.

In England and Wales, a proportion of business rate revenue from renewable energy projects is retained within the local authority area. If a similar approach was taken in Scotland, additional revenue could be generated for communities located near energy infrastructure.

From April 2026, we anticipate an increase in business rate revenue for local communities hosting renewable energy projects in England and Wales. We recommend that business rate revenues are recognised within the GPP, as contributions to the local community, alongside community benefits.

# Improving the Good Practice Principles

**3. Do improvements need to be made to how eligible communities are identified? For example, changes to how communities are defined at a local level, and whether communities at a regional and/or national level could be eligible. Please explain your answer and provide supporting evidence if available.**

We consider the existing GPPs to provide an appropriate framework and do not consider there to be a need for significant amendment.

We support the existing principle that host communities should be at the centre of discussions on how community benefit funds are distributed, and that the views of regional bodies should not overrule the host community's views. This approach has enabled communities to invest for the future, undertaking large and / or long-term projects, of direct benefit to the host communities themselves.

We support the retention of existing levels of flexibility provided through the GPPs and consider these to be necessary in enabling host communities and developers to create approaches that meet the needs of individual communities.

We consider the introduction of regional funds to be potentially appropriate in areas where there are several projects of significant scale in a region. Where appropriate and feasible, developers already seek to coordinate their community benefit arrangements, and we encourage this approach. We consider the renewables industry to be best placed to identify when it would be most appropriate to coordinate community benefit arrangements and do not believe that this requires further oversight, beyond those already contained within the existing GPPs.

While there may be opportunities at a regional level in certain circumstances, community benefit funds should not be distributed nationally. Community benefit is not, and will not be, of a sufficient scale to make a meaningful impact when distributed at national scale and should not be used to plug existing funding gaps in current national or local government budgets. The emphasis should be on flexibility and appropriate application with the input of communities.

<u>The economy-wide benefits of solar and battery storage:</u>

As renewable energy becomes the foundation of the whole energy system, the importance of maintaining low-cost energy to consumers is also important. Recognition of the wider benefits to the economy - and all communities – of moving

to a clean energy system ought to be more fully acknowledged and promoted by the government.

Additional benefits of solar projects are provided in response to Question 6.

**4. Should more direction be provided on how and when to engage communities in community benefit opportunities, and when arrangements should take effect? Please explain your answer and provide evidence/examples of good practice where available.**

The solar and storage industry is committed to high quality community engagement. We support the existing GPPs and consider these to provide appropriate guidance on the principle of early and effective community engagement. We have also developed dedicated community engagement guidance for the solar and storage sector, which incorporates these principles. This guidance is available here: Community Engagement Good Practice Guidance • Solar Energy UK.

It is important that existing flexibility on the approach to community engagement is maintained to accommodate different needs of host communities, alongside the varying length and stages of the development process. We believe that it would be counterproductive to introduce more directive measures, when individual project timelines and community circumstances vary so widely.

**5. How could the Good Practice Principles help ensure that community benefits schemes are governed well? For example, what is important for effective decision-making, management and delivery of community benefit arrangements? Please explain your answer and provide evidence/examples of good practice where available.**

We do not consider there to be a need for additional guidance within the existing GPPs but recommend that they direct developers and communities to existing sources of guidance available through organisations such as the Scottish Charity Regulator (OSCR). We would recommend that the GPPs serve to better signpost communities and developers to existing guidance on fund management and due diligence.

It is recognised however, that many communities can struggle with capacity and some developers are supporting community development capacity building to assist in fund management, reporting and delivery. Encouraging this type of

approach, including the potential for companies to collaborate more in their support of community infrastructure, may be positively included in the GPPs.

**6. How could the Good Practice Principles better ensure that community benefits are used in ways that meet the needs and wishes of the community? For example, more direction on how community benefits should or should not be used, including supporting local, regional or national priorities and development plans. Please explain your answer and provide evidence/examples of good practice where available.**

We agree that community benefits should provide a lasting legacy but recommend that the word 'strategic' is added, to further emphasise the potential for such funds to enable strategic investment in the locality and across connected communities, if managed for the long term. We believe that this should be the primary focus of community benefit funds, and that communities should be supported to identify strategic priorities for their local areas.

Solar farms are typically located in rural settings, where there may be significant economic, social and environmental challenges that solar and battery storge projects can help to address. Many renewable energy developers and operators are committed to supporting action to address such issues, outside of, and in addition to, the types of community benefit currently recognised within the GPP.

For example, solar and battery storage projects directly address fuel poverty, provide jobs, and provide economic stability for farming businesses through an alternate source of income (land rental and other supporting activities associated with the ongoing operation of the project). These projects also support local authority strategies to retain young people in remote and rural populations. In addition, the biodiversity benefits of solar farms can be hugely significant – helping to deliver government and local authority objectives and targets for wildlife restoration – at no additional cost to the taxpayer.  Viewed in this way, renewable energy developments, but especially solar projects, have the potential to deliver benefits in many different, highly impactful ways. We request that these benefits be explicitly recognised in the revised GPPs.

However, it is also important to emphasise that community benefits are not intended, and should not be used, to fund the delivery of essential core public services. Community benefit funds are not, and will not be, sufficient to substitute for the role of government. We would recommend that this be made clear within the GPPs.

**7. What should the Good Practice Principles include on community benefit arrangements when the status of a new or operational energy project changes? For example, reviewing arrangements when a site is repowered or an extension is planned, or when a new project is developed or sold.**

Solar Energy Scotland would expect the solar and storage industry to maintain community benefit arrangements when a project is sold. We intend to formalise this position shortly.

Repowered projects, or project extensions should be considered new projects and would develop new community benefit arrangements accordingly. Depending on the individual project circumstances, these may maintain, expand upon, or diverge from, the specific community benefit arrangements agreed in relation to the earlier project. We would expect projects that secure extensions to the duration of the planning consent / operational lifetime to maintain the existing community benefit arrangements for the ongoing operational life of the project.

**8. Should the Good Practice Principles provide direction on coordinating community benefit arrangements from multiple developments in the same or overlapping geographic area? If so, what could this include? Please explain your answer and provide evidence/examples of good practice where available.**

Where appropriate and feasible, developers already seek to coordinate their community benefit arrangements, and we encourage this approach. We consider the renewables industry to be best placed to identify when it would be most appropriate to coordinate community benefit arrangements and do not believe that this requires further oversight, beyond those already contained within the existing GPPs.

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

We recommend that guidance on evaluation and reporting, including how community benefits compliment Scottish National Outcomes and UN Sustainable Development Goals, would be helpful. Greater opportunities to demonstrate and promote the cumulative benefits that these projects provide would also be

beneficial.

**10. In addition to the Good Practice Principles, what further support could be provided to communities and onshore developers to get the most from community benefits? For example, what challenges do communities and onshore developers face when designing and implementing community benefits and how could these challenges be overcome? Please explain your answer and provide evidence/examples of good practice where available.**

We welcome the Scottish Government's introduction of the Community and Renewable Energy Scheme (CARES) and would support the strengthening of this service through increased support for community capacity building, to enable communities to deliver strategic value through community funds, and community mentoring, to ensure that communities are supported when in receipt of community funds, as well as during the development and design of community benefit packages.

## Setting a funding benchmark

**11. Do you think that the Good Practice Principles should continue to recommend a benchmark value for community benefit funding? The current guidance recommends £5,000 per installed megawatt per year, index-linked (Consumer Price Index) for the operational lifetime of the energy project.**

No, we do not consider the current approach, in which the GPPs include a benchmark level of community benefit to be appropriate – for the reasons given in response to Question 12b, below.

**12. a) Should the benchmark value be the same or different for different onshore technologies? Please explain your answer.**

No, we do not consider a single benchmark value of community benefits to be appropriate across different technologies. Please see response to Question 12b, below.

**12. b) How could we ensure a benchmark value was fair and proportionate for different technologies? For example, the current benchmark for onshore is based on installed generation capacity but are there other measures that could be used? Please provide any evidence or data to support your preferred approach.**

We do not support the continuation of a recommended benchmark of £5,000 per MW of installed capacity, per year, as this is simply not viable for solar, co-located solar and BESS, hybrid generation projects, or BESS projects. This level of community benefit was established for commercial scale onshore wind projects at a time when the primary route to market was through the Renewables Obligation (RO) – which was a much more generous system than the Contracts for Difference (CfD) regime, which is designed to deliver the lowest possible energy export price that a project can withstand.

Different in design from the RO (which had a single value for each technology, reviewed on a periodic basis) the CfD was designed to bring downward pressure on renewable energy prices, year on year, with competitive strike prices set ahead of each CfD auction, for different delivery years.

However, following challenges in the international supply chain resulting from COVID, the Russian invasion of Ukraine, the corresponding increases in fossil fuel prices, economy-wide inflation (especially on personnel and materials costs), the economic viability of renewable projects of all types and scales have been put under intense strain. Added to this are the differing capacity factors of the various technologies, the differing business models, the differing grid costs, and different routes to market that have developed alongside the CfD. These combined factors make a 'one-size-fits-all' approach wholly un-workable.

Solar community benefit levels

Due to the factors set out above, it is simply not viable for solar farms anywhere in the UK to sustain community benefit levels close to those set for onshore wind in the days of the RO.

We consider, based on two years of engagement with our members, that community benefit contributions of £400 per MW (AC) capacity installed, for the lifetime of the project – or equivalent – to be an appropriate level for ground-mounted solar farms above 5MW in size. This approach takes the same form and structure as established for onshore wind, and as set out in the GPPs, and is therefore easily understood by communities. There may be individual projects and developers that may be able to sustain a slightly greater level than this depending on a multitude of factors including land, grid and planning costs, and so it would make sense to consider this a benchmark sum.

Due to the factors set out above, we consider the solar industry to be best placed to

identify what is fair and proportionate for solar projects, as benchmarking must be based on a thorough understanding of project economics and individual project circumstances.

## Assessing impacts of the Good Practice Principles

**13. Are you aware of any likely positive or negative impacts of the Good Practice Principles on any protected characteristics or on any specific groups in Scotland, particularly: businesses; rural and island communities; or people on low-incomes or living in deprived areas? The Scottish Government is required to consider the impacts of proposed policies and strategic decisions in relation to equalities and particular societal groups and sectors. Please explain your answer and provide supporting evidence if available.**

The renewables industry is committed to an inclusive approach to community benefit funding, and it should be available without discrimination.

Rural and island communities: 17% of Scotland's population live within rural or island communities (NISRIE | Rural Exchange | SRUC). These communities experience rural deprivation, including a higher prevalence of an ageing population, increased levels of extreme fuel poverty, reduced access to transport and core services, and lack of affordable housing. Their access to community benefit funding can contribute to equipping communities with the skills and abilities to achieve community wealth building. The GPPs must ensure that local control of funds is retained so they can be utilised to overcome the key challenges these communities face.

Deprived communities: the GPPs should encourage capacity-building support in the early years of community benefit funds so communities receiving community benefit for the first time can maximise the benefits of community funding in their area.

Age and English as a second language: GPPs and any supporting templates should be provided in a format which is accessible and easy to utilise.