

Scottish Government Consultation on Good Practice Principles for Community Benefits from Offshore Renewables



21st August 2014

Introduction

1. Citizens Advice Scotland (CAS), its 61 member bureaux, consumer helpline and Extra Help Unit form Scotland's largest independent advice network. Citizens Advice Bureaux advice services are delivered using over 250 service points throughout Scotland, from the islands to city centres, and through our helplines. Together, the Citizens Advice Service in Scotland helped 300,000 people with nearly 1 million issues in 2013/14.
2. On 1st April 2014, the roles and responsibilities of Consumer Futures were transferred to the Citizens Advice Service, encompassing CAS and our sister organisation Citizens Advice (England and Wales). CAS now represents the interests of citizens and consumers in essential regulated markets including energy, post and, in Scotland, water.
3. CAS is delighted to take on this role. Added to our existing consumer advice and campaign work, these new responsibilities give us the opportunity to make a real difference to current and future consumers. We will continue to engage with government and the energy industry to challenge and shape policy to ensure it meets the needs of consumers.
4. Our detailed responses to each of the consultation questions are laid out below. The contents of this document are entirely non-confidential and may be published on your website.

Background

5. The future direction of energy policy is currently the subject of intense national debate, in particular the impact on consumers of decisions taken by the Scottish and UK Governments and the industry itself. Consumers have seen their energy bills continue to rise¹, whilst company profits have increased². Above inflation price rises have occurred at a time when household incomes

¹ Department for Energy and Climate Change, Quarterly Energy Prices, June 2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/322799/qep_June_2014.pdf

² See Ofgem's report, *The Revenues Costs and Profits of the Large Energy Companies in 2012*, for further details: www.ofgem.gov.uk/ofgem-publications/84640/css2012summarydocument.pdf

have remained largely static over a sustained period³. As a result, ordinary consumers feel squeezed, energy issues continue to make headline news, and trust in the industry remains extremely low⁴.

6. CAS believes that community benefit packages offer a real opportunity to ensure that communities benefit appropriately from investment in renewable energy projects that affect them. When well governed, they could offer routes into growing local and regional support for vital infrastructure enhancements, widening acceptance of efforts to decarbonise the economy and helping to rebuild the relationship between consumers and the energy industry.
7. Our detailed responses to each of the consultation questions are laid out in the following sections.

Q1. Do you think the document details reasonable expectations of the roles and responsibilities of developers and other stakeholders?

8. CAS welcomes the publication of a draft set of good practice principles for community benefits from offshore renewables. This is an area of work that our predecessor organisation, Consumer Futures Scotland, contributed to extensively in the past, including sitting on the steering group which produced a similar document in relation to onshore renewable projects.
9. We are however concerned at the lack of detail in this latest document. Whilst we agree that the onshore wind industry is 'more mature than offshore renewables' (p5), offshore wind power is now an established and rapidly developing technology and can hardly be described as 'immature'. Indeed, with some twenty offshore wind farms already operational in its waters, the UK now has the largest installed capacity of offshore wind in the world, standing at over 3,600 MW⁵. We believe, therefore, that many of the concepts outlined in the Scottish Government's *Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments* should still be applied to offshore projects.
10. With this in mind, we believe that the guidance should make clear the need for:
 - a consistent approach to Community Benefit Funds (CBFs), regardless of the technology used or whether a project is onshore or offshore; and

³ Office for National Statistics, Household Energy Spending in the UK, 2002-2012:
http://www.ons.gov.uk/ons/dcp171776_354637.pdf

⁴ The 2014 Edelman Trust Barometer found that the UK has the highest incidence of public distrust in the energy industry of any country surveyed, with a net trust percentage of -23% compared to a global average of +32%. It was the joint least trusted sector in the UK, alongside banking.
<http://tinyurl.com/lzx2fuc>

⁵ http://www.ewea.org/fileadmin/files/library/publications/statistics/European_offshore_statistics_2013.pdf

- transparency and sound governance in the running of all CBFs, particularly as the sums involved increase in line with the scale of future renewable energy developments

Consistency

11. CAS welcomes the Scottish Government's expectation that the 'relevant principles of community benefit will be applicable to any renewable energy industry once commercially viable' (p5). CAS shares the belief that community benefits should be made accessible to all communities impacted by renewable energy projects, across all technologies, whether onshore or offshore. Currently, the CBF approach is more consistently accepted and applied by larger scale onshore wind power developers than developers of smaller scale wind projects or other renewable technologies. However even this is not universal. This means that some communities are missing out and being treated less favourably than others. We believe that consumers and, critically, affected communities would welcome a more consistent approach and that the Scottish Government is well placed to encourage and promote this wherever possible.

Transparency and governance

12. Energy issues continue to receive significant public and media scrutiny. This is unlikely to change in the short to medium term. As a result, it seems likely that the allocation and use of CBFs will receive closer examination in the future, particularly if the annual and total payments involved continue to rise in line with the scale of renewable energy developments. Any similar proposals relating to new nuclear power stations in England and Wales, or controversial unconventional gas or oil developments, will also increase the interest in CBFs in general and how they are administered. Such interest should be viewed in a positive light – all energy consumers, whether local to a planned development or not, have the right to expect that community benefit packages are well designed, well governed and operate in a transparent and consistent manner.

13. CAS is therefore disappointed to note the absence of detailed guidance regarding governance and administration and would expect to see this in any final draft of the document. Good governance and complete transparency are essential components of any effort to build trust and develop strong relationships with communities. Sections 7, 8 and 9 of *Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments* offer examples of the level of detail we would like to see, suitably adapted, in relation to offshore renewable projects.

Q2. Do you think that the document clearly defines community benefits and their place in relation to supply chain benefits to Scotland?

14. The document could provide greater detail to both developers and communities seeking to engage in the process. Whilst it is true that decisions on how CBFs, for example, should be spent are ultimately best left to local

communities themselves, the guidance could do more to indicate the sorts of projects that might be possible – perhaps though the inclusion of detailed case studies.

15. The Scottish Government's vision for the local benefits that might be realised could also be more ambitious and in synergy with complimentary national priorities – reducing carbon emissions, for example, or removing more households from fuel poverty. We expand on this point in more detail below.

Community Benefit Funds and energy efficiency

16. The updated *Scottish House Condition Survey* showed that, in 2012, 647,000 households in Scotland lived in fuel poverty (i.e. having to spend more than 10% of total income on household fuel use in order to maintain a satisfactory heating regime)⁶. This equates to 27.1% of all households in the country. This situation is unacceptable in a wealthy, developed nation. Acknowledging this, the Housing (Scotland) Act 2001 places a statutory duty on the Scottish Government to eradicate fuel poverty in Scotland, as far as is reasonably practicable, by November 2016.
17. The Scottish Fuel Poverty Forum, of which CAS is a member, was set up to help the Scottish Government discharge this duty. The Forum published its final report on 24th March 2014. One of its key recommendations was that the Scottish Government should explore all possible funding routes to maintain spending on its Home Energy Efficiency Programmes for Scotland (HEEPS)⁷. In its detailed response, the Scottish Government accepted this recommendation, and stated that “we will attempt to meet the challenge by exploring all possible routes of funding including Green Deal, Scottish Government funding streams for community renewables, European funding and other relevant public and private sources of finance”⁸.
18. CAS believes that CBFs should be considered one of those “private sources of finance”. Consumer Focus Scotland's April 2012 report, *Reaping the Benefits of Renewables*, highlighted the real potential to support local energy efficiency programmes through CBFs⁹. The reductions in funding for energy efficiency measures that will result from the UK Government's alterations to the Energy Company Obligation (ECO) make this even more important.
19. As we have already stated, decisions on how CBFs should be used are best left to communities themselves. Consumer Focus Scotland's research, however, revealed a real appetite amongst community groups to explore

⁶ <http://www.scotland.gov.uk/Publications/2013/12/3017/290980>

⁷ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/warmhomes/fuelpoverty/ScottishFuelPovertyForum/final-report>

⁸ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/warmhomes/fuelpoverty/ScottishFuelPovertyForum/final-report-recommendations>

⁹ <http://www.consumerfutures.org.uk/wpfb-file/reaping-the-benefits-of-renewables-pdf>

energy efficiency projects, particularly in rural and remote areas, which tend to be disproportionately affected by fuel poverty. Such complex infrastructure projects can, however, be challenging for local communities to organise and deliver, presenting a barrier to further activity. CAS recommends that the Scottish Government helps to overcome these barriers by placing a specific duty on the relevant public bodies to offer tailored support for the development of local energy efficiency programmes. We also recommend that guidance for developers makes explicit reference to the desirability of providing professional support, guidance, mentoring, etc. to community groups, helping them to build the skills and knowledge necessary to make best use of the funding available.

Q3. Do you have any general comments on the document, including on the tone and structure?

20. As outlined earlier in this response, we are disappointed at the general lack of detail in the document. Considerable weight seems to have been placed on the apparent differences between offshore and onshore renewable projects, with little regard for the significant commonalities – for example, the need for sound governance arrangements and the importance of transparency and consistency in the way that CBFs, in particular, are administered.

Q4. Are there any topics or points which you think should be removed from the document?

21. We have not identified any topics or points that should be removed from the document.

Q5. Are there any topics or points which you think should be added to the document?

22. Again, we would have expected to see a greater level of detail throughout the document, particularly in relation to governance arrangements, etc. It would also have been helpful to see greater evidence of thinking on community benefits joining up with the Scottish Government's wider programme of work on community empowerment – this point is dealt with in more detail in our answer to Q7.

Q6. The Scottish Government has committed to further research on lessons learned and case studies on community engagement and the delivery of community benefits from offshore renewable energy projects around the world. What topics do you think should be covered in this research?

23. CAS welcomes the Scottish Government's commitment to producing this additional research. We believe it has the potential to provide valuable information for developers, communities and government on how to ensure that communities across the country benefit fully from offshore renewable projects that affect them. Detailed case studies would be extremely useful, including best practice examples from nations with long term experience of delivering projects in this sector, such as Denmark.

Q7. The Scottish Government has committed to developing further guidance on the identification of communities, following the above research. What points or issues do you think should be covered in this additional guidance?

24. CAS agrees that the process of identifying communities with which to engage, particularly the appropriate ‘communities of geography’, is likely to prove more challenging for offshore developers than their onshore counterparts. With that in mind, CAS welcomes the Scottish Government’s commitment to conducting additional research on the topic, and sharing the results with the offshore industry in the form of further guidance.
25. It is also true that, in cases where it is very difficult to identify a local host community, offshore developers may find it easier to engage at a regional level. Where appropriate, such engagement has the potential to provide direct benefits to a broader range of communities and therefore widen public buy-in and support of essential energy infrastructure developments beyond those only in their immediate vicinity. We do, however, continue to support the principle that those most clearly affected should receive the majority of any funding.
26. Simple geography is not, however, the only method by which appropriate communities can be identified. *The Scottish Community Empowerment Action Plan*¹⁰, developed jointly by the Scottish Government and COSLA, makes it clear that communities of interest and identity also have a key role to play. Such communities vary greatly but could include people facing fuel poverty as a result of being off the gas grid, environmental protection campaigns active in the area or specific cultural groups. Strong relationships with these or similar communities could prove to be of particular value to offshore developers seeking to establish a CBF and CAS would be keen to see this reflected in any further guidance.
27. Furthermore, it would also be helpful if such guidance was clearly aligned with the Scottish Government’s wider community empowerment agenda, including the concepts outlined in the Community Empowerment (Scotland) Bill currently making its way through the Scottish Parliament. This would send a strong signal to developers regarding the importance Ministers place on delivering high quality community engagement and a template for the principles that should be at the heart of this process.

Conclusion

28. Overall, CAS welcomes the Scottish Government’s commitment to ensuring that communities benefit from offshore renewable developments that affect them. Clearly, the offshore industry faces certain specific challenges, including the sometimes difficult process of identifying local host communities. We believe, however, that many good practice principles developed in relation to onshore projects are just as relevant to their offshore equivalents. As a

¹⁰ <http://www.scotland.gov.uk/Publications/2009/03/20155113/0>

result, the Scottish Government should provide the industry with more detailed guidance to ensure that approaches to delivering community benefits are consistent and that CBFs in particular are well governed and operate in a transparent manner. Finally, CAS believes strongly that CBFs offer a real opportunity to help tackle the blight of fuel poverty by enabling the delivery of local energy efficiency programmes, particularly in rural and remote communities. The Scottish Government should, as a matter of urgency, take steps to ensure that communities have access to the support and information they require to pursue such programmes should they choose to do so.

29. We would be happy to discuss any of the issues raised in this response in more detail.

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