

Delivering local benefit from offshore renewables

Working towards a new model for
community benefit and local ownership

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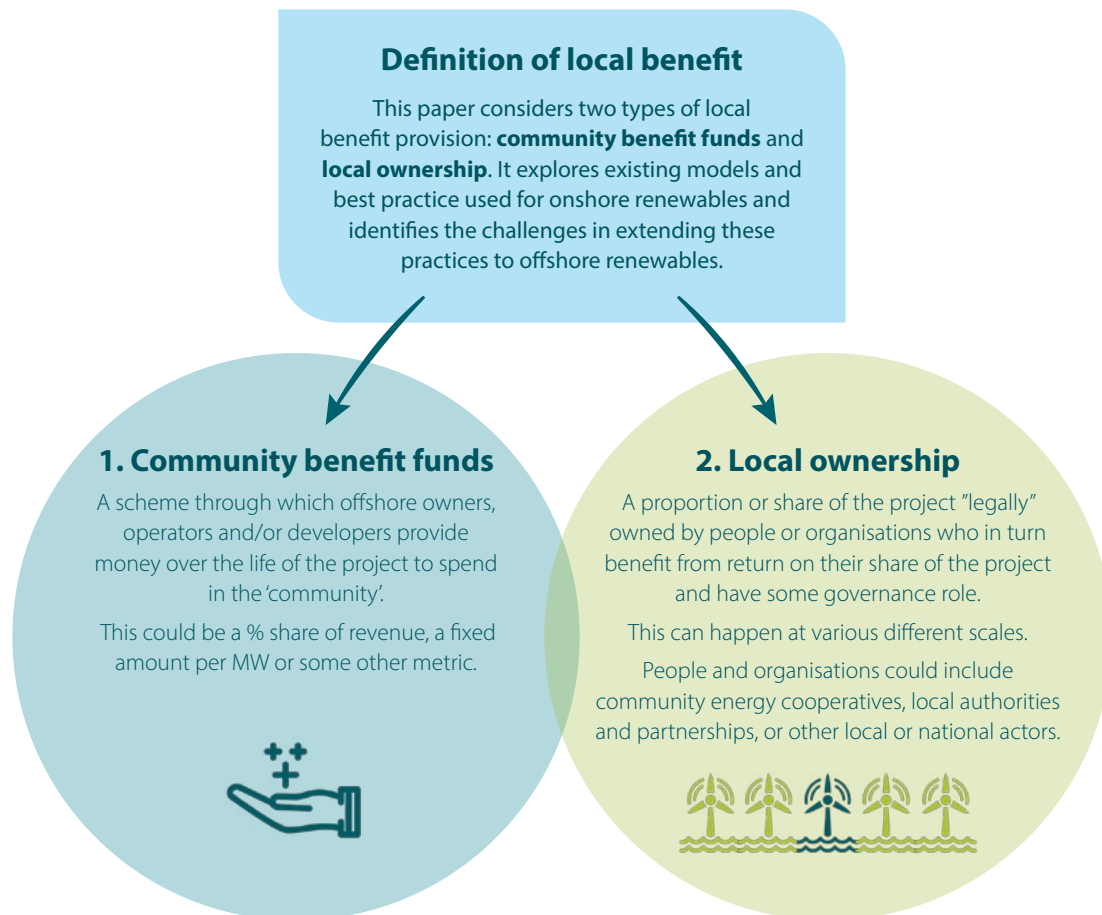
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Regen is a not-for-profit centre of energy expertise and market insight whose mission is to transform the world's energy systems for a zero carbon future.

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1 | Introduction



Allocating a proportion of revenues to local communities has been a key feature of renewable developments, particularly onshore wind. This has provided new funds for communities to spend on local social, environmental and economic initiatives, including addressing fuel poverty and supporting green jobs.

Decades of experience have shown that communities can benefit from, or in some cases directly own a part of new renewable developments, supporting local areas and a wider just transition.

Offshore industries such as oil and gas have primarily benefitted local communities through job creation and increased income for local businesses. Offshore renewable projects have also offered these benefits, while contributing to the delivery of a secure energy system that meets our net zero targets.

Through this research we have spoken to 20 different stakeholders from developers to academia, government to communities – and found that there is a broad consensus that communities have a key part to play in the transition to net zero.

“ **Poor local engagement as the first wind farms were being built – assuming community acceptance, not engaging or even communicating with communities – jeopardised the image of wind power in general.**

Wind energy is still on the back foot from that, and we now have to make an (extra) effort to 'do wind well.'

ACADEMIC INTERVIEWED FOR THIS STUDY

It is clear that we need to answer the question of what is both beneficial and feasible when we apply the principle of community benefit and local ownership to offshore renewable projects. These offshore projects are much larger and further from individual communities compared to their onshore wind cousins.

This paper explores what might be needed to evolve local benefit approaches for offshore renewables, to maximise the value on offer, develop better support among communities, and support a just transition that benefits people across the UK.

Our research has shown that there is a lot of interest in this topic, but it is complex, and there are lots of different opinions. More clarity on the relative importance of local benefits and the different models by which it can be delivered would be beneficial for all involved.

It should also be recognised that it is important for renewable developers to focus on what they are good at – developing and delivering projects and mobilising finance - to help the UK achieve net zero, and achieve it affordably and fast.

The objective of this study is to feed into discussions and decisions around local ownership and community benefit funding in the offshore planning and leasing process, to help build clarity as the sector rapidly grows.



“ Cost reduction is a key driver for the offshore wind industry, particularly in the context of increasingly competitive Contracts for Difference allocations. More so than for onshore projects, the scale of community benefits may be highly dependent on the financial means of the developer.

Existing practice has informed the development of in-depth principles for the provision of community benefits from onshore projects. Such detail is not appropriate for the offshore industry where replicable good practice has not yet emerged.

There are additional technical challenges of constructing and maintaining sites offshore and the timescales and phased development process of offshore projects differs greatly from the onshore industry where construction is less complex. ”

Scottish government¹

In addition to community benefit funds and local ownership models – there are wider economic and social benefits of offshore wind including:

- ▶ Supply chain benefits
- ▶ Jobs and skills development
- ▶ Investment in shared infrastructure e.g. ports
- ▶ Environmental mitigation
- ▶ Local energy supply

The Offshore Renewable Energy Catapult estimates that the first GW of floating offshore wind in the Celtic Sea could potentially deliver over 3,000 jobs and £682 million in supply chain opportunities for Wales and the South West by 2030.

These wider benefits are important, but not the focus for this study.

Methodology

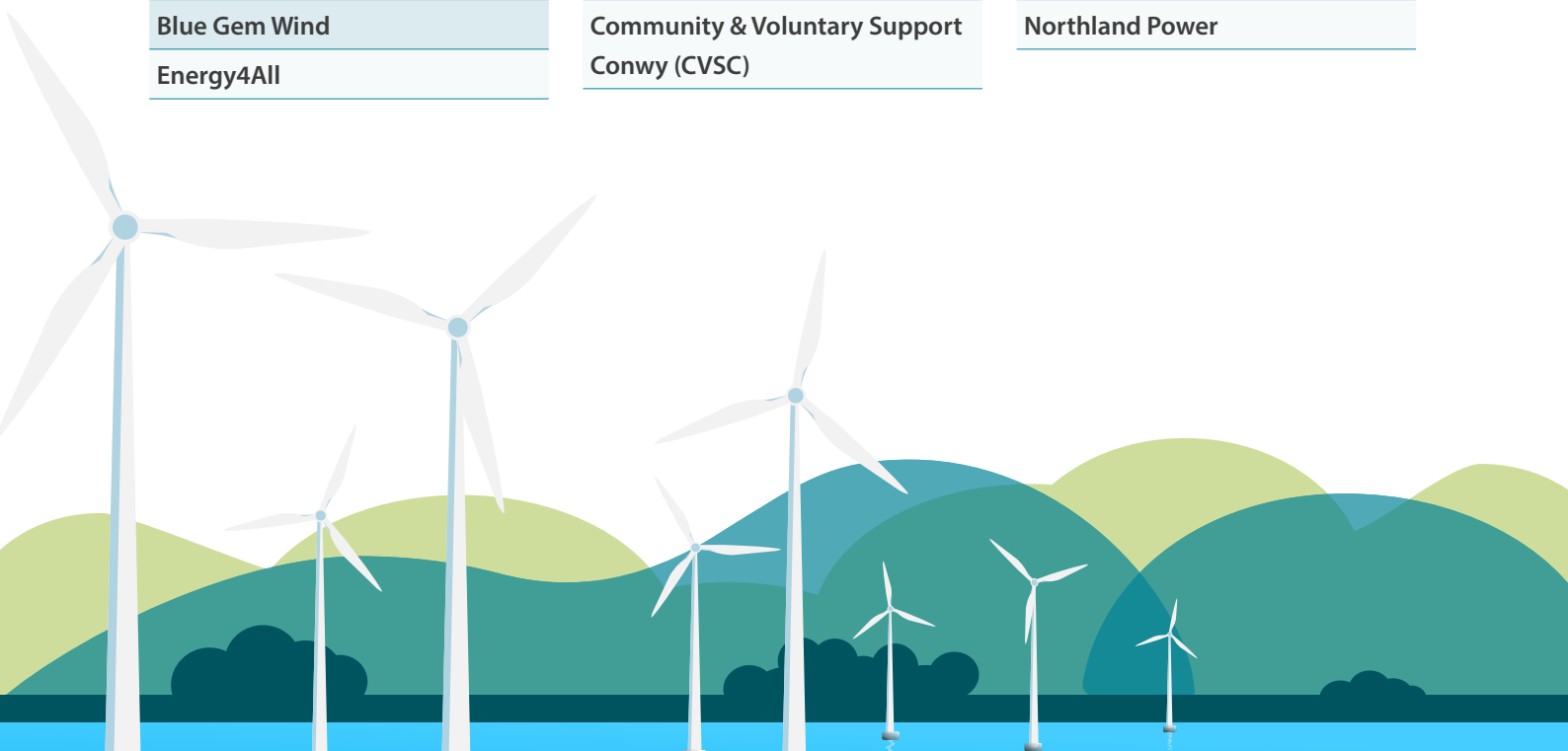
The aim of this short study was to glean deep and novel insights about local benefit approaches, as well as identifying practical lessons from existing schemes. As an emerging area, the aim was to draw out innovative forward-thinking from those at the cutting edge of the sector.

As such, the methodology consisted of three main approaches:

- **Desk review** – expanding on the insights and examples from our Celtic Sea Floating Offshore Wind (FLOW) report, the desk review draws out case studies and models of community benefit and local ownership in the offshore wind sector. The analysis also explores existing policy and regulatory frameworks, such as the Welsh and Scottish policy documents.
- **Interviews with key stakeholders** – in August and September 2022, we held 20 1-1 interviews with key stakeholders with experience and interest in this area.
- **Round table with industry leaders** – on 15 September 2022, we held a virtual round table with 14 representatives from the offshore industry, local and community energy, academia and wider policy making spheres. This session, which presented the initial findings from the interviews and desk review, was used to gather additional feedback and consolidate ideas that were then incorporated into this report.

The main organisations that we engaged are listed below:

BEIS	Scottish Government	Cardiff University
The Crown Estate Scotland	Welsh Government	University of Edinburgh
The Crown Estate	RWE	Technical University of Denmark
Energy Saving Trust	Hiraeth	RenewableUK
Marine Energy Wales	Torrige District Council	REScoop
OceanWinds	Thrive Renewables	Land Commission Scotland
DP Energy	Abundance	RINA/Magnora Offshore Wind
Blue Gem Wind	Community & Voluntary Support Conwy (CVSC)	Northland Power
Energy4All		



Core principles for local benefits from offshore renewables

“ WHY? ”



Building a new relationship with energy

The cost-of-living crisis has made many people realise how much energy impacts our lives. There is an opportunity, as the UK rapidly expands its offshore renewable sector, to build a new approach and narrative around communities and our energy system: one where communities, locally and across the UK, can feel positively invested in our energy future and unparalleled offshore resources.

A just transition requires all communities, especially the most marginalised, to have the opportunity to participate and benefit from the resources around them. Energy infrastructure is ‘hosted’ within communities and the environment. By recognising this, and building a positive relationship between people and the energy transition, we can build greater support for renewables – which will be critical to support the huge investment needed to achieve net zero.

“ WHO? ”



Communities at all scales

The remote nature of offshore projects suggests they should look to benefit both those ‘close’ to or directly impacted by the sites and those in the wider region or nation, broadening the scale of impact that can be achieved and more widely “sharing the wealth”.

By making some of the benefit and ownership less dependent on immediate location, a part of that benefit can be driven into lower income communities and wider areas.

“ WHEN? ”



Bringing forward benefits

Timing is an issue. Offshore wind projects can take decades to design and build and for developers it can be challenging to know when to make benefit commitments and when to commence benefit schemes. Communities are important for planning, but are being consulted on projects they may not see built. Developers do not want to make financial commitments before they have income certainty.

The timing of engagement, point of commitment and the distribution of benefits needs to be carefully planned to ensure that communities and local stakeholders are supported throughout the project journey.

“ HOW? ”



Importance of clarity and certainty

Developers may choose to offer different amounts or types of community benefit and local ownership options. There are strong arguments for mandating minimum levels of contributions to community benefit funds (potentially as £/MW). This would provide a baseline for competition from community benefits, potentially reduce cost for developers, and provide certainty for communities whilst still allowing developers to go ‘above and beyond’ should they wish to.

Models for local ownership play a significant role in engaging ordinary people in the transition to net zero; however, they are still innovative for offshore renewables and therefore cannot be mandated, only encouraged.



2 | Why offer local benefit?

LOCAL BENEFIT:

Additional measures that are provided by a renewable developer outside of the planning and licensing processes. This paper considers two types of local benefit provision, community benefit funds where communities are awarded grants to support local projects, and models that promote local ownership.

The offshore wind industry offers significant social and economic benefits, but as this paper explores, there is still a strong case for additional direct local benefit for offshore renewables.

“ Justice is a preferable rationale for providing community benefits than presenting it as a device for fostering social acceptability.”

 Local Benefit³		 Not Local Benefit	
Part of a just transition	A just transition requires all communities, especially the most marginalised, to be able to participate and benefit from the resources around them.	Compensatory payment *	While it is important to acknowledge that renewable projects can cause disruption to a community or individuals, community benefit should not be confused with compensatory payments. Where developers consider it appropriate to provide compensation because of disruption, for instance, this arrangement should be between the relevant parties.
Increased acceptance of renewables & net zero	An industry showing support for local and national communities builds confidence in the renewables sector to do the right thing.		
Recognising impacts	Provision of benefits recognises that energy projects and infrastructure are “hosted” within communities and in the environment and will have positive and negative impacts.		
Respecting resource	There is a need to respect that people across the UK may feel a sense of ownership of their own natural resources and deserve to benefit from them.	Buying support for a project	It has been well documented that schemes that attempt to ‘buy’ support are not well received.

***Compensation implies some loss or damage.** Whilst this may, for example, be true for individual marine users who lose income due to changes in marine zones, community benefit funds are broader, allowing communities to positively benefit from new developments. Dr Claire Haggett, an academic from the University of Edinburgh explains, “Extensive academic research shows that people do not measure ‘landscape value’ or ‘amenity’ or their attachment to ‘place’ simply in monetary terms. Implying that they do can even make them feel as if they are being bribed, which has been repeatedly shown to create and entrench opposition.”

Therefore, any compensatory payments needed for a development should be managed separately to a community benefit fund.

2 Cowell, R., Bristow, G., & Munday, M. (2012). *Wind energy and justice for disadvantaged communities*. York: Joseph Rowntree Foundation

3 Haggett, C. (2022) *Community Benefits from Offshore Wind: Benefits, Boundaries, and Justice*, University of Edinburgh Briefing Document

Why offer local ownership and community benefit from offshore renewables

Part of a just transition

With the scale of offshore wind and the potential benefit on offer to communities, there is a real opportunity to support those on lower incomes and groups who are disadvantaged in society to address fuel poverty, improve local areas, and create new revenue and opportunities.

While offshore developments provide regional value by creating jobs and supply chain opportunities, these more holistic benefits do not always reach those excluded communities. By providing dedicated community benefit, not only is more direct funding on offer, but communities can use their local knowledge and connections to steward that money in a more inclusive and equitable way.

More recently, in response to the energy crisis, communities have been considering how they can drive these more socially just initiatives. This includes tackling fuel poverty, supporting energy advocacy, and developing new social centres⁴.

Increased acceptance of renewables & net zero

Building from this, community benefit funds and options for local ownership can increase buy-in from local people and increase support in the planning and building processes. Onshore wind developments have had considerable successes in this area.

Citizens'juries and public opinion research has likewise shown repeatedly that people favour an approach to the transition that is socially just and inclusive^{5,6,7}.

By providing local benefit (especially benefit that brings those typically excluded communities into the fold), we can retain the wider consent for net zero, maximise the wider good of the offshore industry, and accelerate efforts to scale-up developments in the coming years.

Recognising impacts

Renewable energy projects can have considerable physical impacts on communities and the local environment. This can include changes to local transport and infrastructure, changes to the countryside and ecosystems, as well as the positive impacts such as jobs and regional economic development.

While community benefit or offers of ownership should not be seen as a compensatory payment (as outlined above), communities undoubtedly "host" renewable energy developments and their associated infrastructure and impacts. Ensuring communities receive a direct benefit can recognise this impact and hosting role, and help to uphold community consent.

Respecting resource

Who owns the UK's natural renewable resources is a critical yet complicated question. Many people across the country feel a sense of ownership in their renewable resource and wish to see the benefits on offer shared and maximised as far as possible⁸ – with respect to climate benefits and wider social and economic benefits.

Given the scale of offshore developments and the revenues on offer, there is scope for developments to more directly benefit communities and share some of that wealth that is being created from a shared natural resource.

This can help people to feel like they are seeing the benefits of this resource, in turn supporting that wider, ongoing buy-in and support for the industry.

4 The Alternative Global, 2022, [Responses to the cost of living crisis? Community energy groups and cooperative offer help](#)

5 IPPR, 2021, [Fairness and opportunity: A people-powered plan for the green transition](#)

6 Roberts, J and Escobar, O, 2015, [Involving communities in deliberation: A study of 3 citizens'juries on onshore wind farms in Scotland](#)

7 Nature Climate Change, 2022, [The importance of perceived fairness to public opinion about climate change policies](#)

8 BEIS, 2021, [BEIS Public Attitudes Tracker \(March 2021, Wave 37, UK\)](#)

Current policy positions on local benefit

Advice has been released for England, Scotland and Wales related to local benefits from renewables. All

recognise the potential importance of the commitments, but also the voluntary nature.

Guidance for England recognises the benefit of community benefit funds for onshore wind



“ A Community Benefit Fund is a voluntary commitment by a developer to pay into a fund, which is then made available to finance community projects. Community benefit funds can offer an opportunity for the local community to access long-term, reliable, and flexible funding to directly enhance their local area, economy, society, and environment. They can take the form of a fixed annual sum paid per MW of installed onshore wind capacity, a variable annual payment linked to profit or electricity output measures, lump-sum payments, or a blend of all three.⁹ ”

The Welsh Government has extensive guidance that encourages both community benefit funding and local ownership models



“ The social, environmental and economic benefits associated with a development should be factored into and given weight in the decision making process. Community Benefit Funds should drive the maximisation of local multiplier benefits by focusing on building resilience in the local community. Welsh Government has also put forward a Collaborative Benefits Report (CBR) as a practical tool to improve transparency in the development process, which includes commitments to a community benefit fund.

The Welsh Government supports commercial developers working together with community based organisations to take forward projects on a shared ownership basis and have had a requirement for all new renewable energy projects to have at least an element of local ownership.¹⁰ ”

The Scottish Government encourages local benefit and recognises the need for flexibility



“ A cash fund is a fundamental component of a community benefit scheme. [We are] keen to encourage good practice rather than formally legislating community benefit.

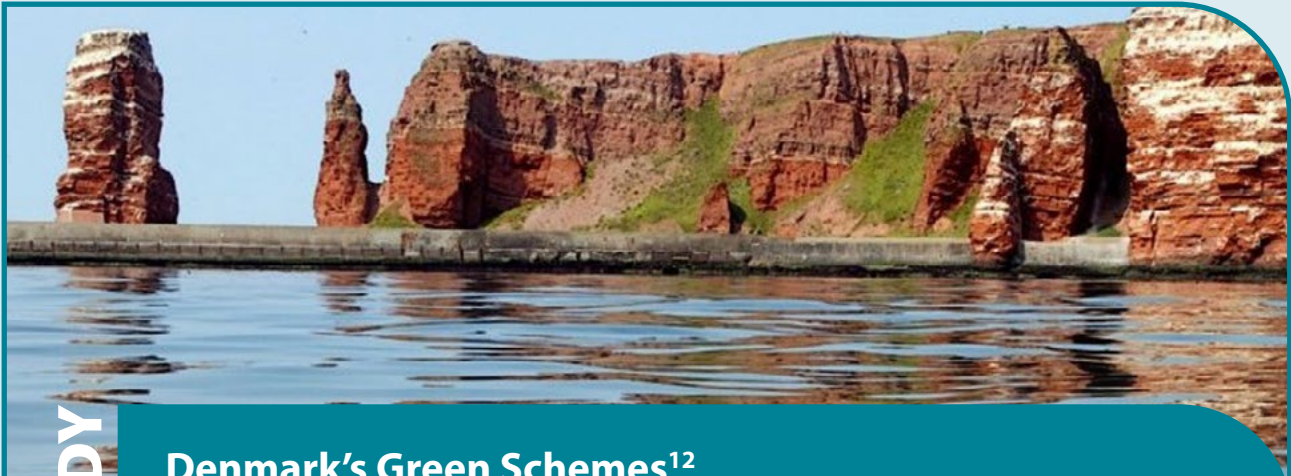
Scottish Government outlines flexibility as a key component of community benefits and highlights the issues associated with requiring one single approach and design to be delivered on every project.

Shared ownership will form a key part in helping to meet our targets of 1 GW of community and locally owned energy by 2020, and 2 GW by 2030.¹¹ ”

9 UK Government, 2021, Page 36 [Community Engagement and Benefits from Onshore Wind Developments](#)

10 Welsh Government, 2022, [Local and shared ownership of energy projects in Wales](#) and Welsh Government, 2011, [Planning Policy Wales](#)

11 Scottish Government, 2018, Page 31 [Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments](#) and 2018, [Good Practice Principles for Shared Ownership of Renewable Energy Developments](#)



CASE STUDY

Denmark's Green Schemes¹²

Denmark's Promotion of Renewable Energy Act in 2008 set out specific measures and schemes to mandate the distribution of community benefit by onshore and offshore wind farm developers, providing options for local citizens to purchase wind turbine shares and a guarantee fund to support the financing of preliminary investigations by local owner associations.

From 2008 to 2018, with the "Danish Green Scheme", the Danish state was required to pay DKK 0.004 per kWh for 22,000 hours production from each new turbine to the community affected. This applied to both onshore wind farms and offshore wind farms within 8 km of the coast.

This community benefit was spent either in areas that hosted related engineering works or for informational activities that would promote the usage of renewable energy.

This scheme changed in 2018 and two new schemes have been set up and actively implemented in 2020:

- 1 The "VE-Bonus" scheme, whereby a yearly payment is made by the project developer to the neighbours of the project, with the Danish Energy Agency determining whether someone is eligible and how much they will get.
- 2 The "Green Pool" scheme for municipalities, where one-time payments are made from the developers to the impacted communities. The price set for offshore wind developments under this scheme is DKK 115,000 per MW (£13,546 per MW).¹³

One academic interviewed for this study pointed out that mandated local ownership schemes did not always work well in Denmark. This was due to some renewable developers lacking transparency and not adequately advertising the proposal, low electricity prices in the past years resulting in smaller returns for individual shareholders and lack of financial capability of citizens, especially in poorer and marginalised areas. From this case study, it could be argued that mandated community benefit schemes are more likely to be successful than mandating local ownership.

¹² IEA, 2021, [Promotion of Renewable Energy Act](#)

¹³ Ignacio Herrera Anchustegui, 2020, [Distributive Justice, Community Benefits and Renewable Energy](#)

3 | Who is the community? Who is local?

What is the definition of community?


There is no single definition of 'community'¹⁴. It is currently up to the developer to determine who the 'community' is and to decide how to allocate any local benefit. Historically, this has been decided through geographic proximity, personal ties or interest in an area or through a third-party organisation.

Most commonly, community relates to where the grid connection is or the communities that have the most visual impact from the development.

However, with offshore wind moving further offshore and having fewer

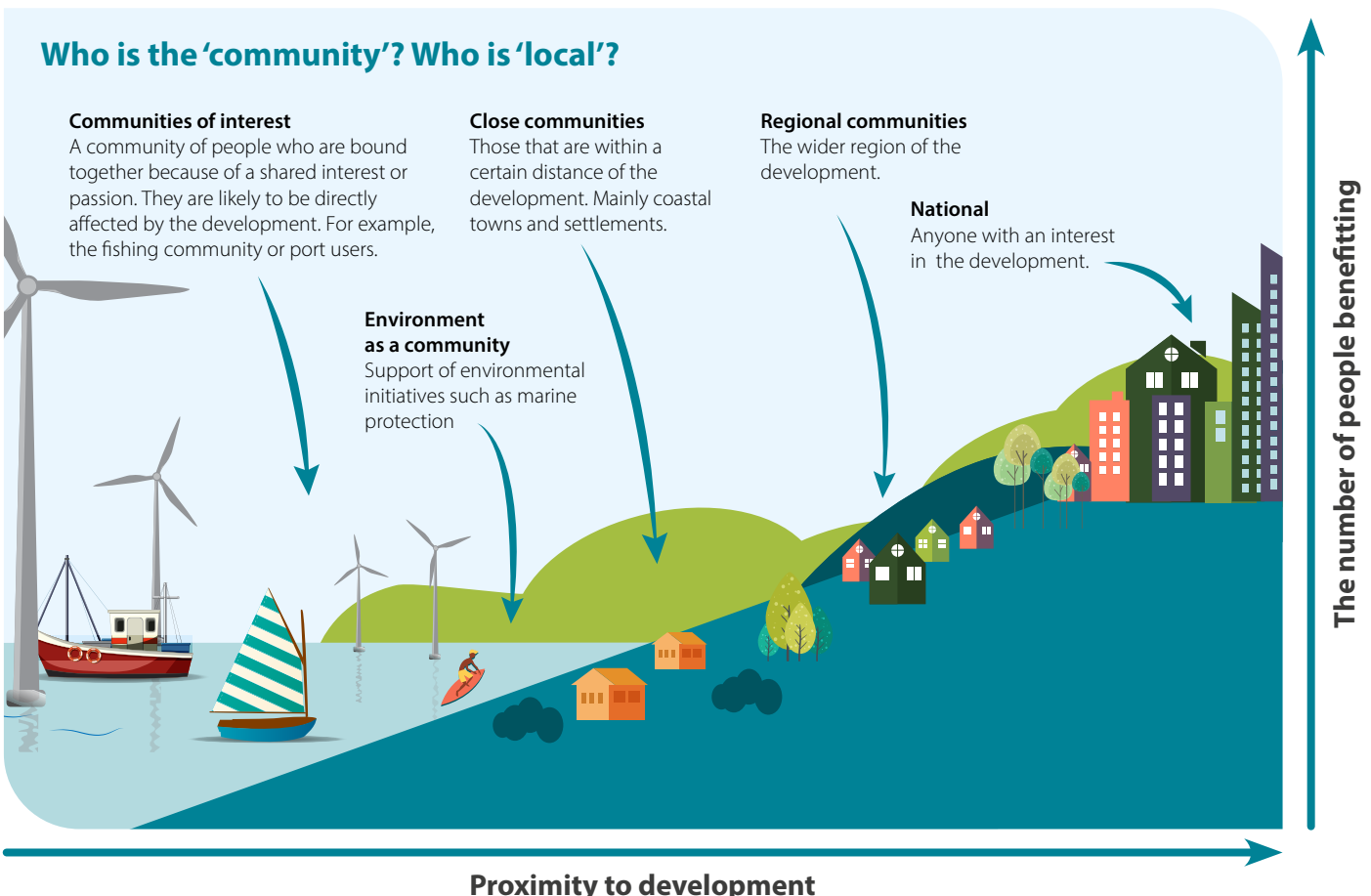
visual impacts, along with the potential scale of projects and potential revenue, there is now a question over to what extent geographical proximity should be the overriding factor in determining who benefits from the UK's marine resource.

In a survey exploring who should benefit from community benefit funds, 59% of stakeholders responded that the wider region – rather than the immediate coastal community alone – should benefit from any new fund.



There is no single definition of community which can be applied for every project. Furthermore, research suggests a standardised approach to identification is not to be encouraged. Rather, dialogue and site-specific characteristics should be used by the developer to identify the most relevant stakeholders.

Scottish Government¹⁵



14 Bristow, G., Cowell, R., & Munday, M. (2012). Windfalls for whom? The evolving notion of 'community' in community benefit provisions from wind farms. *Geoforum*, 43(6), 1108-1120

15 Scottish Government, 2018, Page 11, [Good Practice Principles for Community Benefits from Offshore Renewable Energy Developments](#)



CASE STUDY

Offshore Tax Revenue in Germany¹⁶

Germany achieves community benefit through tax revenue.

The Federal Maritime and Hydrographic Agency manages the German Economic Exclusive Zone (EEZ), which hosts the largest of the country's offshore wind farms. As with the UK, the approval of areas for development falls under the Federal state as opposed to coastal municipalities.

Under German fiscal law, the "equidistance principle" (the principle that a country's maritime boundaries follow a median line equidistant from the neighbouring nation's shores) applies to the taxation of activities within the EEZ, and thus regional governments are able to tax organisations that operate offshore within their maritime boundary. This is the case whether or not the headquarters of the operations are also based within their region.

This allows the tax revenue to be split between where the offshore wind farm is operating and their legal headquarters. The usual split for the trade tax revenue is 70% to the municipality in which the wind farm is located, and 30% to the municipality where the developer/operator has its legal residence. This split can vary from project to project.

One example is Helgoland, a German archipelago in the North Sea. The area had been experiencing declining tourism revenues until three offshore wind farms (c. 1 GW of capacity) were built in the mid 2010s. These are now maintained and operated from the islands. The tax revenues taken in by the municipality of Helgoland increased from c.€1 million to €22 million in 2016. This income has gone towards reconstructing Helgoland as a tourist destination, rebuilding accommodation and renovating attractions.¹⁷

This model is unlikely to be replicated in the UK. However, an equivalent could be for offshore tax or seabed royalty payments to be used for a community benefit fund or for national or devolved governments to create an investment fund.

¹⁶ Anchustegui, 2020, [Distributive Justice, Community Benefits and Renewable Energy: The Case of Offshore Wind Projects](#)

¹⁷ Pia Kerres, Roman Eric Sieler, Jana Narita et. al., 2020, [Germany's policy practices for improving community acceptance of wind farms](#)

Identifying the community – two possible approaches

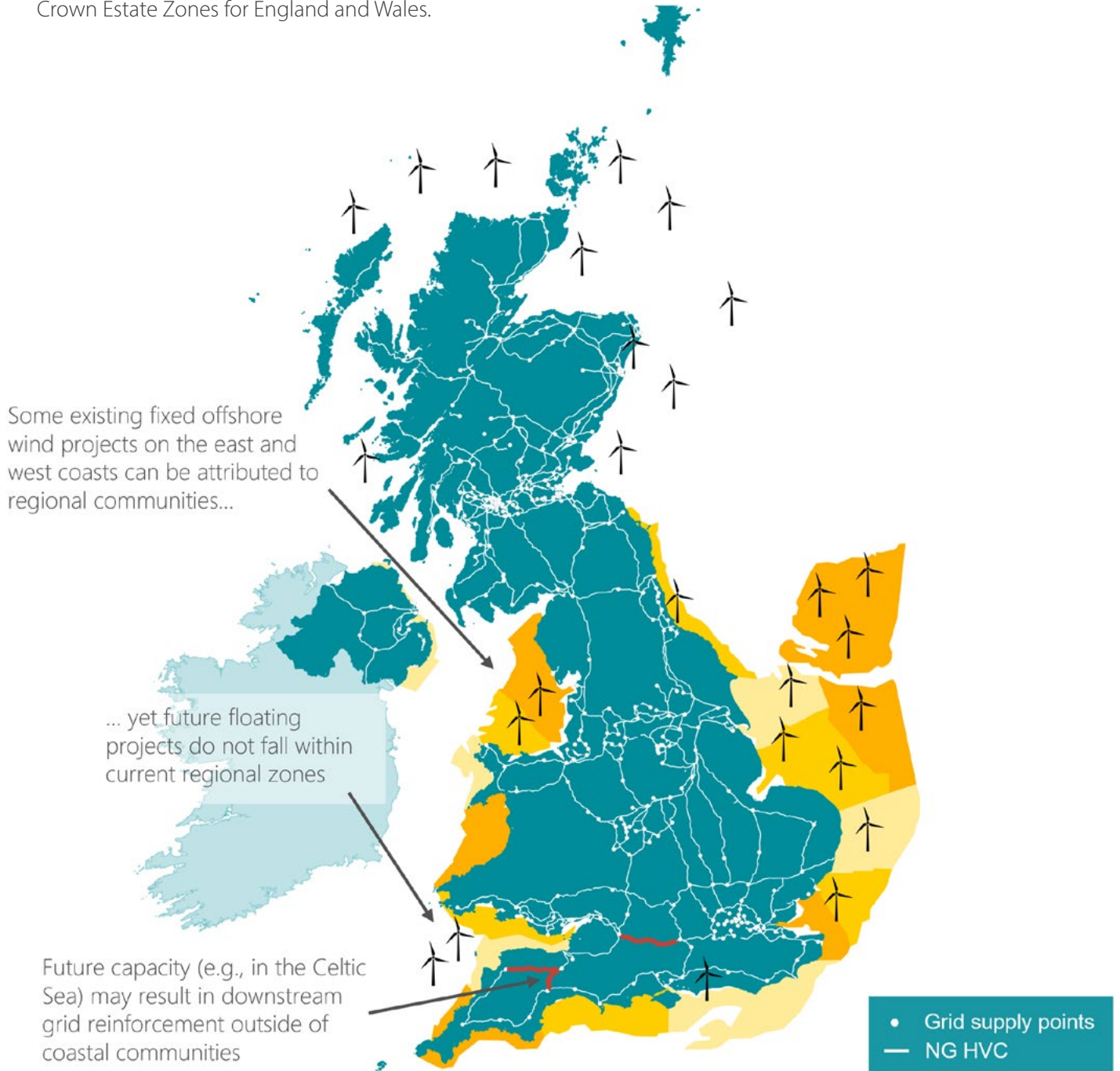
As the sector develops, it is likely that there could be increasing pressure to delineate more precisely the boundaries that relate to stakeholder and community

consultation, as well as the administration of local benefits including to local authorities, businesses and communities.

<div style="background-color: #00728f; color: white; padding: 10px; border-radius: 10px 10px 0 0;"> Option 1 </div> <div style="padding: 10px;"> <p>Setting administrative boundaries for community benefit allocation at a regional level</p> </div>	<div style="background-color: #00728f; color: white; padding: 10px; border-radius: 10px 10px 0 0;"> Option 2 </div> <div style="padding: 10px;"> <p>Identifying impacted communities and wider regional beneficiaries on a project-by-project basis</p> </div>
<p>The Crown Estate (or another body) could set regional administrative boundaries for offshore resources. This could build on their existing regional model used for leasing rounds and should reflect:</p> <ul style="list-style-type: none"> • Local authority boundaries • Offshore resource • Whether they apply English, Welsh or Scottish policies <p>A methodology for assignment of benefits across different local authorities could be developed.</p>	<p>Developers of the project would be encouraged to engage with a diverse range of stakeholders to understand needs and concerns.</p> <p>Funding could be packaged to target:</p> <ol style="list-style-type: none"> 1) Communities that are impacted by wind farm development 2) A wider range of regional communities <p>Funding could be targeted more specifically at communities in need in a wider area. Ability to tailor funding to reflect that infrastructure may need to be built in areas not directly adjacent to the windfarm and may not be directly on the coast.</p>
<p>Pros: Setting boundaries could help align the administration of projects, governance of benefits, ownership and wider regional impacts.</p> <p>Clear geographic boundaries and administration of benefits.</p>	<p>Pros: A more responsive and natural justice approach.</p> <p>Each project can determine best use of funding and affected community. Promotes wider engagement and greater collaboration between projects. May be the only viable approach in areas like the Celtic Sea.</p>
<p>Cons: Lines on a map can be arbitrary and could become a source of conflict and disengagement. Projects may not fit clearly within boundaries, especially in areas like the Celtic Sea.</p> <p>The potential for benefits to be spread more widely through regional communities may not be realised.</p>	<p>Cons: Governance and allocation of funding may be more complex. Greater need for consultation and engagement.</p> <p>Possible dilution of benefits across a wider geography.</p>

Setting regional boundaries

The yellow areas around the map show current Crown Estate Zones for England and Wales.



Conclusions - identifying the community:

- In the future, it is unlikely to be appropriate to define hard regional boundaries.
- A pragmatic approach would be to have different funds, some of which may be more geographically focused, while others are based on broader criteria.

Where should the benefit funding come from?

Central to the discussion about local benefit is where the money is flowing from and to whom. The developers of renewable energy projects are often the top choice to provide benefits given they are pursuing profit from their investments and receiving a long term income.

In developments to date, developers have been responsible for installing onshore cable routes: community benefit funds have in turn tended to focus on the communities that experience the most impact from the physical development.

However, under the new arrangements being developed as part of the Offshore Transmission Network Review and Holistic Network Design, it will become increasingly common for both offshore and onshore transmission infrastructure to be shared between projects and developed and built by third party organisations.

One major organisation building this infrastructure is National Grid, where senior management have highlighted the need to ensure community support, potentially through community funds¹⁹. They currently provide **short term grants** to communities impacted by development.

Now, a new approach needs to be developed that can be applied equally by the offshore wind industry, National Grid or distribution networks or any other central body in charge of building national energy infrastructure. A community benefits consultation has been proposed within the **Networks, storage and security section of the British Energy Security Strategy**.

Some interviewees felt there was a need to rethink community benefit funds, being solely the responsibility of project developers due to other parties also receiving income from offshore resources.

The Crown Estate

receive sea bed leasing option fees and future seabed royalties. In the round 4 auction, fees ranged from £83,000 - £154,000 . per MW.¹⁸

Project owner operators look for offshore wind investments to return between 6-10%.

Electricity networks will receive ongoing use of system revenues for new network infrastructure.

Associated tax revenues go into **general taxation** and CfD negative payments reduce customer bills.

Scottish Coastal Communities Funding

The UK Treasury ran the Coastal Communities Fund between 2014 and 2018 to provide benefit to 'supporting the economic development of coastal communities'.

Scotland has since decided to replace this funding with their own scheme using revenues from Crown Estate Scotland, which operate with a wider remit than The Crown Estate, to provide social, economic and local benefit from marine resources.

Scottish ministers have committed to provide coastal and island communities within 12 nautical miles of the development, one hundred percent of the net Crown Estate revenue via local authorities.



¹⁸ Regen, 2021, [Big Oil raises the stakes in UK offshore wind market](#)

¹⁹ John Pettigrew NGET Chief Executive Radio 4 Today programme 1 November 2022

4 | When should community benefit funds be distributed?

The timeline from conception and leasing to construction and operation for offshore wind could be up to a decade or even longer.

This question of ‘when?’ poses two key questions:

At what point should communities start to benefit from the development of offshore wind farms?

Currently some projects provide community benefit to the host communities prior to point of energisation, for example the Beatrice site operated by SSE and Burbo Bank Extension operated by Ørsted (as seen in the table on page 20). However, the majority of local benefit via funds or ownership will be given once the project has been constructed and income has been generated.

There is an argument that communities should be given the community benefit funds at the point of impact (where this exists), rather than later in the development process. This can be useful in building trust between communities and developers in acknowledging their roles as hosts.

The majority of people will be unfamiliar with the drawn out processes and multiple stages of achieving consent for an offshore windfarm and may be impacted by the development much earlier than full energisation. Therefore, consideration should be given to starting local benefits, potentially via The Crown Estate’s leasing option fees, as early as the leasing process.


At what point should local benefit be agreed, or in the future, potentially mandated?

Discussions with stakeholders may start more than a decade ahead of energisation, or even before any

leases or planning permissions are won. Therefore, to ensure trust between communities and developers, there are a number of aspects to carefully consider about the timing of community benefit funds:

- At what point are high-level commitments made?
- At what point are communities identified?
- When are detailed plans created?
- When is the benefit or income received?
- How is this monitored?

Our research has highlighted a critical debate over whether there should be consistency and a level playing field created through mandating a level of community benefit funds, or whether it would be better to add an element of competition, with the best scheme being scored higher in either the leasing round or in the CfD application. Our research points to the former as being the preferred option.









“ Community benefits are expected to be provided following first export of electricity and generation of income. Offshore projects may have a phased construction process and provision of any voluntary community benefits in advance of commissioning may be considered on a site-by-site basis²⁰. ”

Scottish Government

When should community benefit funds be considered?

There are pros and cons to considering local benefit at the different stages of the development

and consenting processes for offshore wind. Each has different decision makers and approaches.

Options	Type of decision	Decision maker	Pros	Cons
Leasing round 	Competitive	The Crown Estate	<ul style="list-style-type: none"> Local benefit is considered early – consistent part of decisions to award leases Could be high level obligation or commitment to make future plans 	<ul style="list-style-type: none"> Difficult to have clear competition on high-level plans. More detailed plans would likely involve significant wasted effort if lease is not successful
Planning permission of site 	Yes/No	National planning	<ul style="list-style-type: none"> Individual developers could create plans alongside planning, helping to identify impacted and relevant communities 	<ul style="list-style-type: none"> Developers may not get planning – some potential for wasted effort Additional commitments could be seen as a ‘bribe’
Planning permission of onshore infrastructure 	Yes/No	National planning	<ul style="list-style-type: none"> Would be related to shared infrastructure 	<ul style="list-style-type: none"> Will vary as to who delivers it – could be National Grid or developer
CfD application 	Competitive	UK Government	<ul style="list-style-type: none"> Part of a competitive process – has the option to drive up ambition at a point of certainty of delivery Could be mandated to create a level playing field Costs of benefit can be built into revenue model 	<ul style="list-style-type: none"> If not mandated, could add to complexity and further uncertainty of CfD process, including a potential advantage to projects that don’t provide community benefit funds. Not directly related to CfD decision making
Development and consenting phase ahead of construction 	Yes/No	Planning and consenting	<ul style="list-style-type: none"> Opportunity to engage impacted communities close to point of construction Developers confident in their offering Flexibility 	<ul style="list-style-type: none"> Added complexity to process of final development Potentially too late to add community benefit as cost needs to be acknowledged by all project stakeholders early on and factored into commercial viability
Energisation and Operation 	N/A		<ul style="list-style-type: none"> Developers have certainty of income to create strong plans 	<ul style="list-style-type: none"> No clear redress for local stakeholders if not done well or transparently Potentially too late, as above

Conclusions - who should fund the local benefit, and when?:



The future approach should reflect the wider pool of beneficiaries in terms of local benefit, but also a wider pool of contributors. Those who receive income from the natural resources or associated projects should contribute to local benefit. This includes the parties who will benefit most from it: the developer which secures planning, as well as The Crown Estate and electricity network infrastructure.



In particular, some of the option fees obtained by The Crown Estate from Agreements for Lease could be directed towards community benefit funds, enabling the communities of interest to benefit sooner if there are impacts. However, the The Crown Estate is unlikely to be a suitable distributor of these funds – appropriate options are discussed below.

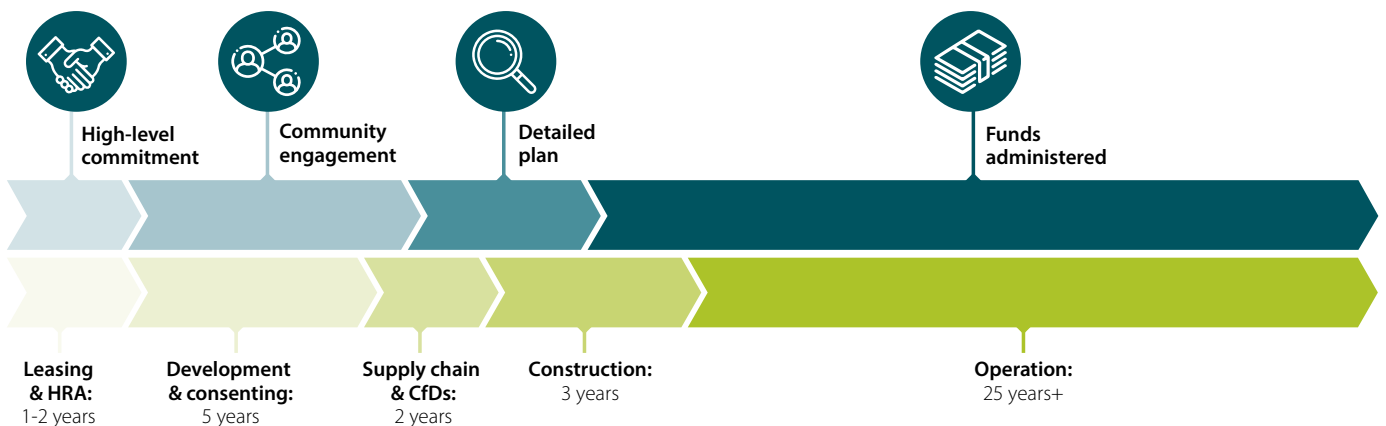


There is a risk that some developers decide to provide local benefit and some do not. Therefore, some sort of mandate or requirement with a minimum limit to be made early in the process is necessary to ensure consistency. A process going from a high level commitment towards a more detailed plan is illustrated in the graphic below.



Development of a shared format – similar to the Welsh Collaborative Benefits Report – could be used to standardise the way in which developers report their local benefit plans and provide a consistent way for community stakeholders and decision makers to assess developers’ plans.

Illustration of a local benefit process tracking the development timeline



5 | Community benefit fund models

Current community benefit fund models

Offshore wind projects generally have a community benefit fund, following the model of onshore wind. The amount of money provided per MW varies, but the majority of the funds have a community-led transparent process by which to allocate funding to projects and communities.

Community benefit fund

A scheme through which offshore owners, operators and/or developers provide money over the life of the project to spend in the “community”.

This could be a % share of revenue, a fixed amount per MW or some other metric.

Site, Operator	Region	Operational date		Capacity of wind farm (MW)	Total community benefit fund (£ millions)	Project lifespan (years)	Annual community benefit fund (£ thousands)	Fund poured per megawatt (£ thousands/MW)	Community benefit payment (£/MW/year)
		Site	Fund						
Rampion, RWE	English Channel	2018	2017	400	3.10	22.5	138	7.75	£340
Teeside, EDF	North Sea	2012	N/A	62	1.76	22	80	1.29	£60
Race Bank and Hornsea Project One Ørsted	North Sea	2018-2020	2019	1791	11.63	25	465	6.49	£260
Beatrice, SSE	Outer Moray Firth	2019	2016	588	6.00	25	240	10.24	£410
Burbo Bank Extension, Ørsted	Liverpool Bay	2017	2015	258	5.63	25	225	21.80	£870

References can be found in the appendix

What are the costs?

For the developer and potentially for the energy consumer

The development of offshore wind is a competitive process through The Crown Estate leasing rounds, Contracts for Difference (CfD) auctions and then the electricity being sold in a competitive market.

The importance of community benefit and creating a positive local relationship with energy and any new developments needs to be balanced with the potential additional cost of community benefit to the developer (and also the costs of a longer consenting process or refusal).

Ultimately, this extra cost may be put on the consumer through higher strike price bids in the CfD auction. The table illustrates the potential increase in CfD bids if offshore developers were to increase their bid proportionate to how much community benefit they give.

Community benefit payment (£/MW/year)	Community benefit (£/MWh)	Percentage of an illustrative £50/MWh CfD bid (assuming 41% capacity factor)
£5,000	1.39	2.78%
£4,000	1.11	2.23%
£3,000	0.84	1.67%
£2,000	0.56	1.11%
£1,000	0.28	0.56%

From Regen analysis

A mandatory minimum community benefit payment would create a level playing field. If developers wanted to go above this, they would need to factor the added cost into their financial models. One developer said:

“It’s not about net zero at minimum cost, but minimum acceptable cost...and this can’t be divorced from supporting communities.”



CASE STUDY

Vattenfall Norfolk Boreas

In July 2022, Vattenfall's 1.4 GW Norfolk Boreas Offshore Wind Farm was awarded a Contract for Difference, kickstarting the first phase of a set of projects off the coast of East Anglia. The wind farms will contribute £15 million in funding for the local communities, roughly £400/MW/year²¹. In order to determine the beneficiaries of these funds, Vattenfall has established a multi-stage engagement process.

The first of these stages was a Norfolk-wide survey of close to 1,500 participants, with respondents from all districts. The questions went beyond who should be benefiting from the funding and included opinions on where Norfolk's climate action should be focused and personal views on what the benefits of offshore wind development are.

The results made clear that, amongst the Norfolk residents surveyed, a strong majority of over 50% wanted climate action and environmental projects as the main benefit of offshore wind and to be the beneficiaries from the fund. There was also majority agreement across all districts, even within the coastal communities close to the wind farms, that all of Norfolk should be able to benefit from the fund, as opposed to just the coastal communities. This is perhaps an unusual response to "who is the community in question", with the answer being not only "all of the communities", but also explicitly "the environment".



Who administers the funding?

A well-designed and executed community benefit fund can create positive reputational benefits for a developer. A crucial element of any community benefit fund is the administration of the finances. Is the fund structured appropriately to ensure that the needs of the community are reflected and decisions are transparent, accountable and fair?

How local community and regional stakeholders engage with the fund, and whether they trust the process, makes a big difference in how effective it is. Our research highlighted the following three areas:

1. Valuing local experience

One stakeholder at the roundtable pointed out the importance of valuing the knowledge, experience and place within a community. The organisation chosen to administer the funding should be recognised and trusted by the communities.

“The composition, delivery and structure of the package should be designed through dialogue with the local community²³”

Scottish Government



2. Representing communities

Whatever delivery mechanism has been chosen, the committee choosing the recipients of the grant must reflect a representative section of the community with the time and capacity to ensure that the fund is distributed to those who best achieve the goals.

3. Keeping funding criteria broad

Many stakeholders, including those with experience administering grants, and developers believed that there should not be a limit on what money could be spent on. This could include anything from building village halls or sports centres, to funding energy efficiency works for those in fuel poverty.

Investing in community energy

Community benefit funding could be distributed to local community energy organisations to deliver low carbon projects in their area. This could serve to engage the local community with decarbonisation through connecting the offshore industry with tangible, local projects.

Community Energy Wales, England and Scotland could play a role in matchmaking appropriate organisations.

In their [investing in communities](#) document, Vattenfall talk about how community benefits can be transformative sums and could provide communities funding to adapt to and address climate change. This could include:



Grant giving – a grant fund and decision making panel to distribute funds is set up - the most common way of managing cash benefits.



Commissioning – the community identifies key areas for research and feasibility work that will require further investment.



Asset/purchase management – a front-loaded cash payment that enables the purchase of community assets, with ongoing annual payments that enable management of the assets.



Repayable grants – communities set up a scheme to invest in local organisations, services and businesses via repayable grants.

A number of questions should be considered when putting together administrative structures for a Community Benefit Fund:



Accountability – is the governance structure set up to be accountable to the community?



Flexibility – does the fund have flexibility to address changing needs in the community?



Complexity – what are the processes for getting grants? And can local projects easily access funding?



Capacity – Is the recipient group adequately resourced to deliver the scheme?



Transparency – are funding decisions transparent and trusted?



Experience – Does the organisation have the confidence and experience to manage and distribute funds effectively?

“ Where appropriate, local authorities may consider administering funds. Stakeholders should be aware that where funds are administered by a local authority, any awards made to community groups are likely to be classed as state aid and should be treated accordingly²³. ”



Scottish Government

Conclusions - who administers the funding?:



The organisation that is chosen to administer funding must have an appropriate governance structure and level of experience to able to admister potentially very large amounts of money in a fair way. This will include the ability to be transparent, accountable and flexible.



The organisation is likely to be chosen through an open tender process by the party supplying the funding.



Through our research, stakeholders highlighted the importance of a representative group of local people having control and agency to administer the funding in the best way for their community. Therefore, communities being consulted thoroughly is essential.

CASE STUDY

Gwynt y Môr

Gwynt y Môr is a 160 turbine offshore wind farm based just off the coast of North Wales in Liverpool Bay, which became operational in 2015. The 576 MW project, operated by RWE, represented an investment of £2bn²⁴ and has a well-established community benefit fund, which has already distributed nearly £5million across over 320 different grants.

The offshore wind farm will provide £19m into the community benefit fund over the 25-year lifetime of the wind farm, equivalent to roughly £1,300/MW/year. To establish where the area of benefit should lie, what type of support should be provided and who should be administering it, the wind farm engaged with over 1,000 local organisations and individuals on the potential structure of the fund.

Focus groups, drop-in sessions and an online questionnaire were used, with coastal areas of the counties of Flintshire, Denbighshire and Conwy identified as the preferred areas of benefit. A new local, dedicated board or trust – or utilising existing voluntary and charitable agencies in the locality were the top two choices for the ideal administrators of the fund²⁵. Community & Voluntary Support Conwy (CVSC) council, in co-operation with the voluntary councils in Flintshire and Denbighshire,²⁶ were appointed as the administrator following an open tender process.

CVSC placed a strong emphasis on having fair local representation on the grants awards panel and ensuring that the eligibility criteria of the grants didn't skew the money towards particular areas or demographics. The fund is flexible and the panel and CVSC have made changes to the guidelines and criteria so it continues to meet the needs of the local community.

Aspects of the community benefit scheme, such as the collaboration between grant-giving bodies and local authorities and having a diverse board show the importance of carefully considering the administrative structure of a community benefit fund.

Image source: Gwynt y Môr wind farm. Photograph by devco.ltd

²⁴ CVSC, FLVC, accessed September 2022, [Gwent y Môr Community Fund Micro Grant Applicant Guidelines](#)

²⁵ RWE, npower renewables, 2013, [Gwent y Môr Offshore Wind Farm](#)

²⁶ Rllogg, accessed September 2022, [Fund Development Case Study – Gwent y Môr Offshore Wind Farm](#)

6 | Local ownership

Local ownership of offshore wind projects might include various parties including citizen cooperatives, local authorities, local investors, local companies, corporates and national governments. It could be an important part of ensuring that the UK regions benefits from offshore wind and retains the economic benefit of the natural resources within the country.

However, local ownership requirements shouldn't hinder the delivery of renewable projects and our ability to get to net zero.

Local ownership

A renewable energy development that has a proportion or share of the project that is owned by one or more individuals or organisations wholly owned and based in the UK or based 'locally' as explored above.

The owner has a right to future benefits from the project and a degree of governance.

“Increasing local ownership forms an important part of Welsh Government policy on increasing the retention of local economic benefit from energy projects, **but it is not intended to require developers to put projects at risk, or to diminish the ability to address net-zero by 2050**²⁷.

Welsh Government



Onshore models of local ownership

In the past, shared ownership models for onshore renewables have been explored extensively.

In 2014, the Shared Ownership Taskforce, a group including project developers, trade bodies, community energy groups and Government produced [a report](#) with the recommendation that “Commercial project developers seeking to develop significant renewable energy projects (i.e. above £2.5m in project costs) for the primary purpose of exporting energy onto a public network should offer interested communities shared ownership”.

Whilst some of the shared ownership options in the report, such as shared revenue or joint venture, could also be appropriate for offshore renewables, options such as split ownership, where a local owner buys a proportion of the development's physical assets, are unlikely to be successful. This is due to the added scale and complexity of constructing and maintaining offshore infrastructure.

“Our objective is to retain social and economic benefit from future energy developments located in and around the coast of Wales as we transition to zero carbon. Local ownership of all energy developments should provide Wales with a **fair and proportionate share of benefit in return for hosting them**. This, in turn, will contribute to the well-being of local people²⁸.

Welsh Government



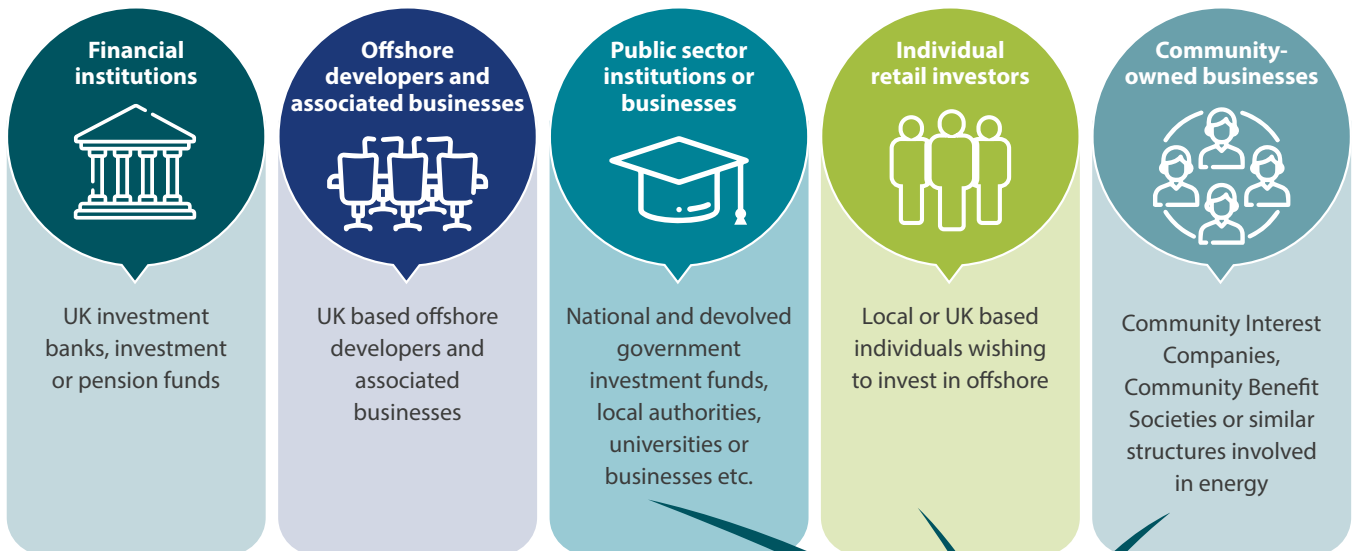
The [principles of shared ownership](#) outlined on page three, can largely be translated to the offshore sector. For example, in both offshore and onshore projects, shared ownership structures can be mutually beneficial to commercial operators, local owners, and the renewables industry as a whole by building increased support for the industry and net zero.

²⁷ Welsh Government, 2022, Page 2 [Local and shared ownership of energy projects in Wales: Guidance for developers, local communities & decision-makers](#)

²⁸ Welsh Government, 2022, Page 3 [Local and shared ownership of energy projects in Wales: Guidance for developers, local communities & decision-makers](#)

Who could be 'local' owners?

Local owners could vary from UK based institutions to individuals based near offshore sites.



Case Study: Energy4All

Energy4All, is a community energy co-operative which, in consortium with Falck Renewables, BlueFloat Energy and Ørsted, put in bids to the latest ScotWind offshore leasing round. They were successful in three of their bids and have begun work on a new framework to enable Scottish communities to share the financial benefit of the offshore wind projects that the consortium plans to build.²⁹

Case Study: Labour's 'Great British Energy'

Labour recently announced that a Labour government would create a new publicly owned clean energy company that would harness Britain's sun, wind and wave resources to "cut bills, create jobs and deliver energy independence".³⁰ Many other countries have a similar model with the idea to retain benefit. EDF, Equinor and Ørsted are examples.

Ownership option	Issue
Direct investment by buying/ owning shares / providing debt to project	Too complex and high risk. Projects are not listed on stock exchange for retail investors
Indirect investment by owning shares in developers	Project developers may have multiple projects or be very big international companies – e.g. BP
Owning shares in Fund / Special Vehicle/ CIC set up to invest in / provide finance to project or multiple offshore projects	KEY AREA OF INNOVATION

²⁹ Energy4All, 2022, [Energy4All welcomes success of Scotwind bid](#)
³⁰ Sky News, 2022, [Labour pledges to create publicly owned energy company to 'cut bills and create jobs'](#)

The benefits and challenges of local ownership models

While developers and investors interviewed for this report were sympathetic to the idea of local ownership of UK offshore wind – and could see the long-term

value to the industry – there was a divergence in views about how this could be achieved.

Challenges of local ownership	Benefits of local ownership
<ul style="list-style-type: none"> • The scale of investment: Offshore projects need to raise billions. Local owners would need to raise hundreds of millions to take a viable stake, potentially displacing finance to other smaller, onshore community investments. • Defining local: Given the scale of investment the most feasible definition of local might be UK-wide, devolved nations or large region. • Risk profile and sophistication of communities: It was felt that early investment could have a high-risk profile for retail and individual investors. There were also concerns about the financial sophistication of local owners and their ability to assess risk. • Disadvantaging offshore wind: A requirement for local ownership could mean it is at a disadvantage vis-à-vis other large infrastructure projects by increasing project complexity. • Complex project governance: Projects often actively look to avoid complex governance and have minimal equity partners to make the project more feasible. • Only benefits those already with means: A key issue, particularly where citizen investment is involved, is that those investing and reaping returns will be those already with financial means, exacerbating existing inequalities. • Preference for focus on UK supply chain: If the objective is retaining economic value in the UK, some developers would prefer to achieve this through developing UK supply chains. 	<ul style="list-style-type: none"> • Opportunity for local development and wealth creation: Stakes in projects held by public bodies or communities, for example, will be received as a regular income that can be redistributed for local benefit such as local services, or funding. • Meaningful local participation & long term political and societal support: An ownership stake delivers more meaningful participation in the project than benefit funds, particularly those which include citizen participation such as the cooperative model. This can help to build more support for the project and net zero more generally. • More community benefit: Onshore community ownership schemes that provide community benefit have been shown to provide up to 34 times more community benefit funding than commercial counterparts³¹. • Economic benefits: Local ownership will mean the returns from the project will be paid to UK share or debt holders and more likely to be retained in the UK. <div data-bbox="855 1653 1417 2040" style="background-color: #004a87; color: white; padding: 10px; border-radius: 10px;">  <p>“ The Scottish Government would like to see shared ownership projects being considered, explored, and offered as standard on all new renewable energy projects³². ”</p> <p>Scottish Government</p> </div>

31 Aquatera, 2011, *Community owned wind farms have paid their communities 34 times more than commercial counterparts*

32 Scottish Government, 2018, Page 7 *Scottish Government Good Practice Principles for Shared Ownership of Renewable Energy Developments*

Innovative ownership models

A number of organisations have been exploring new innovative ownership models for offshore renewables. The Welsh Government has also published a guidance

document looking at feasible options for shared ownership.

Viable options for shared ownership explored in the Welsh Government guidance document include:



- Formation of one or more ‘special purpose vehicles’ (SPVs) that are incorporated bodies that can take up a share of a Joint Venture Company (JVC)
- Shared ownership via co-op or community group buying shares in the SPV – voting rights proportional to shareholding
- Legal arrangement where the junior partner takes a revenue share based upon an investment stake of the SPV (virtual ownership as no formal role on the board of directors)

Welsh Government³³

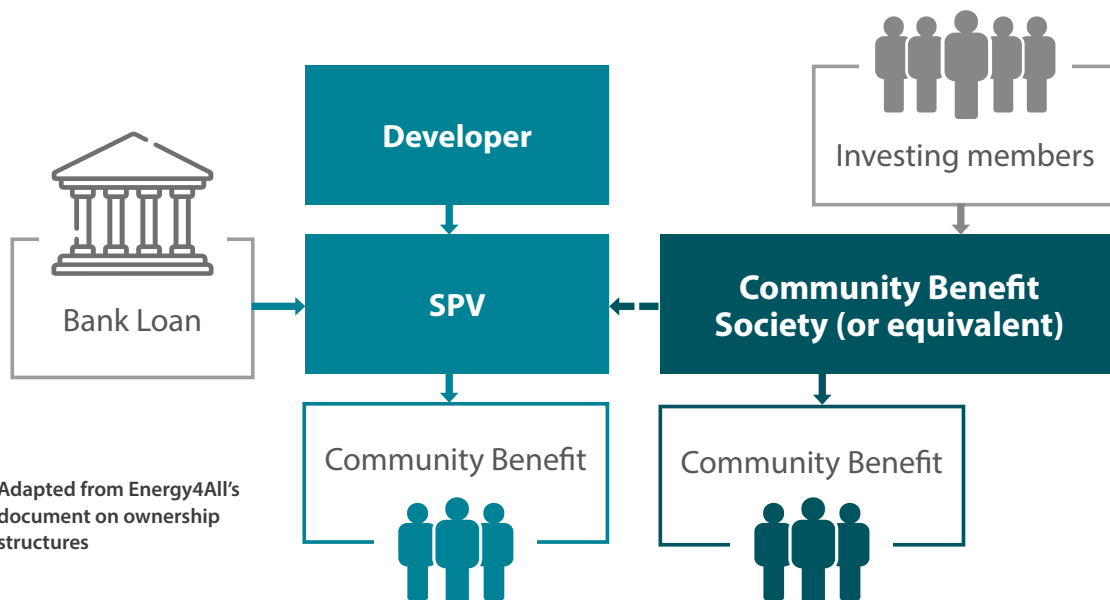
Revenue sharing

From our research, revenue sharing was one of the most popular options being explored for offshore renewables. Revenue sharing is where a developer offers a certain amount of the project investment needed and individuals or a group invest in the project through debt finance.

Revenue sharing is not technically shared ownership, as it does not give the investor equity in the project, and does not include any shares or voting rights.

However, it offers some of the same benefits of shared ownership such as return on investment. As stated by one interviewee, “[revenue sharing] lets people feel that they’re doing their part for the climate”. Models for this could include investments from individuals for as little as £5, making it accessible to large swathes of the population.

This model works for those who are able to understand the situation and invest their money.



Adapted from Energy4All's document on ownership structures

Local Supply Benefit Model

A different way to provide benefits to local communities and consumers would be via a local energy supply model that offered lower cost electricity for local consumers.

There are a number of potential local electricity supply models that have already been developed for onshore generation including:

- Private wire arrangements
- Peer-to-peer trading
- An “Energy Club” model, see for example Bethesda
- A Local Generation Tariffs

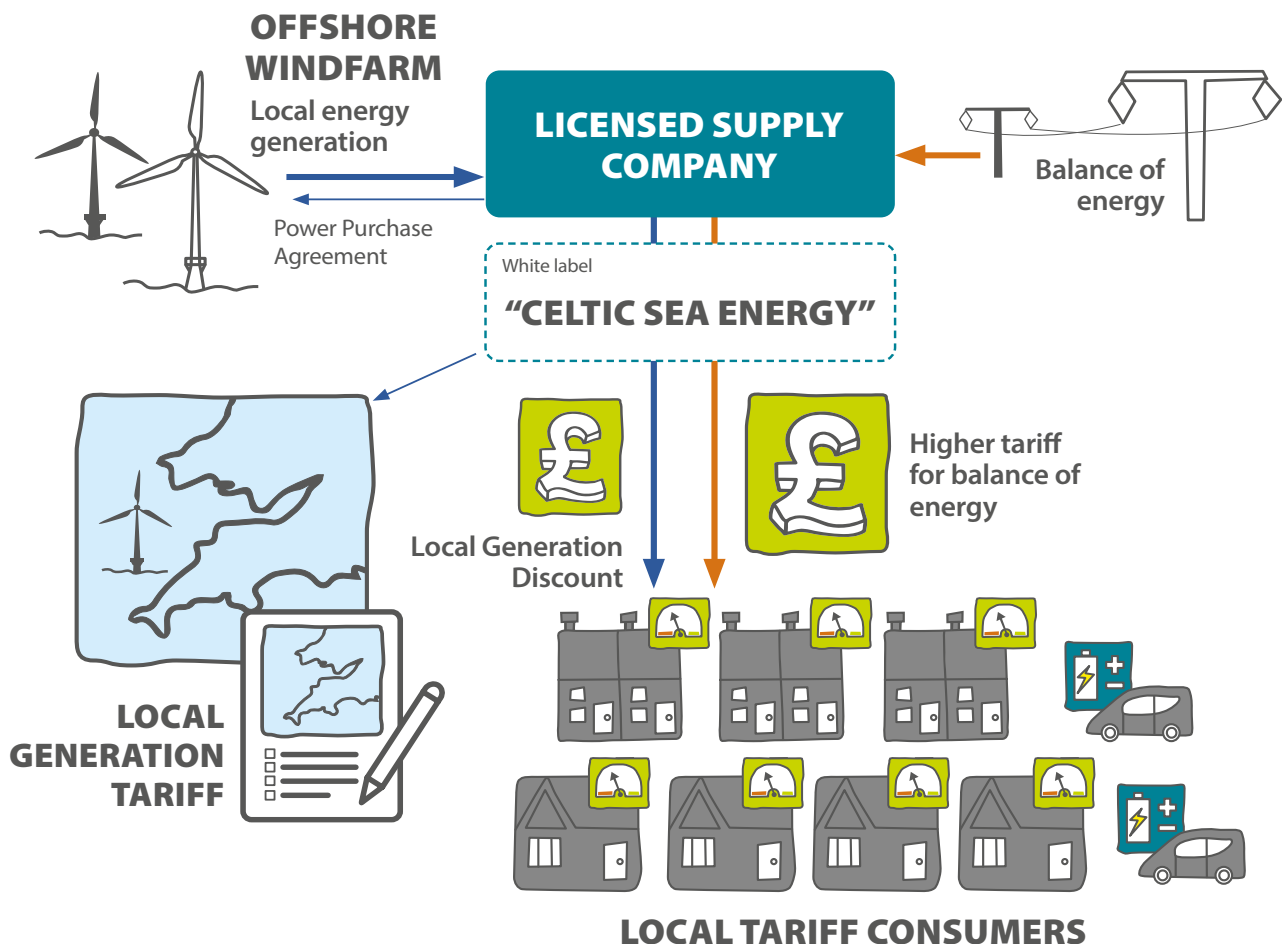
Regen has described the workings of these models in our previous publication [Local Supply: Options for Selling Energy Locally](#).

Some of these options would not be easily applicable to offshore wind as they rely on a physical link, or a close proximity, between the generator and consumer. Some models could, however, be adapted for offshore wind including, for example, the offer of a Local Generation Tariff.

There are several potential Local Generation Tariff structures, but the most likely would involve a licensed energy supply company acting as a energy off-taker to the offshore windfarm and offering a local tariff to consumers with a discounted rate for that energy. The supply company would then also provide additional balancing, from other low carbon sources, for times when the windfarm isn’t generating. The more local energy demand that is matched to the windfarm output, the greater the tariff cost saving.

The energy supply company could itself be locally owned, for example, an Orkney energy supply company or a Pembroke energy supply company. However, the option to set up a new energy supply company is less attractive now, compared to a few years ago, and so an alternative model could involve a locally branded and marketed tariff (a “white label”), which is, in fact, financed and administered by a larger supply entity.

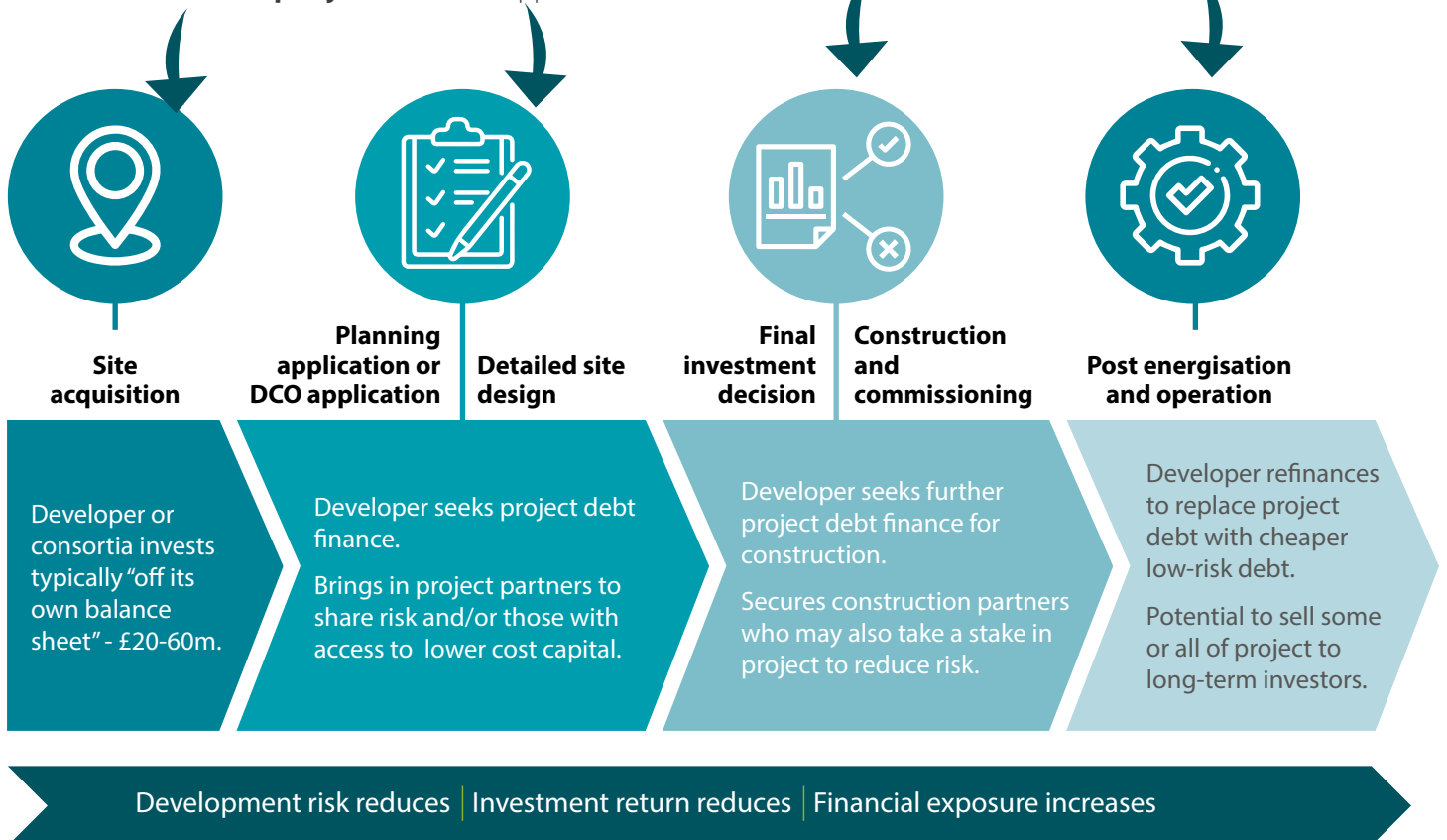
The value proposition of this model is enhanced if the consumers are smart meter and flex enabled, so they can adjust demand to match the windfarm output.



When could a local ownership stake be taken?

Stakeholders interviewed felt that local ownership by retail investors at early stages would have too high a risk profile and cause additional complexity for the developer. However, it could be appropriate for local **shared ownership** or **joint venture** opportunities.

Investment experts suggested that the best point of retail investment would be either at **point of financial close** ahead of construction, or **post-energisation** at the point of restructuring the debt.



Conclusions - local ownership:



A number of innovative local ownership structures for offshore wind renewables are being explored: all have clear benefits, but also complexities. These options are more likely to be feasible if the developer only has to work with one expert organisation and local owners are not liable for maintenance of assets.



What is clear from the research is that increasing local and UK wide ownership of offshore assets should be encouraged UK wide. However, the potential for additional complexity within the financing of the development essentially rules out any mandated levels or approach.



There is clear support from Welsh and Scottish Government for developers and communities (local and national) to develop more innovative structures, such as the opportunity of buying revenue shares, or creating offshore wind funds to allow local people to benefit more from offshore resources.



These innovative structures could be supported by a fund, or regional or national investment bank to provide bridging finance, underwriting or other support.



However, it is clear that not all individuals who might be considered to be in the local 'community' will be able to benefit from local ownership; therefore, this option should be seen as additional to community benefit funds.

“ The Scottish Government believes that the benefits of renewable energy should be shared across Scotland and should be invested in our communities for long-term stability³⁴. ”

Scottish Government



7 | Case Study: The Celtic Sea



The Celtic Sea

Reflecting on some of the principles of community benefit and local ownership that have been explored so far in this report, the Celtic Sea offers an opportunity to develop a new system of local benefit in an area that has a number of unique challenges.

In November 2021, The Crown Estate announced its ambition to award 4 GW of seabed rights to floating offshore wind projects in the Celtic Sea, to be deployed by 2035. They have also indicated that the Celtic Sea has the potential to accommodate up to an additional 20 GW by 2045. This marked a new stage in the growth of the industry, with large-scale projects being located in the waters around Wales and the South West for the first time.

There are a number of challenges presented by development in the Celtic Sea that are pertinent to explore:

Cause

- 1 Multiple developers looking at projects in a (relatively) confined area.
- 2 The Celtic Sea borders South West England and South Wales, which have different regulatory guidelines for community benefit and local ownership.
- 3 The projects in the Celtic Sea are likely to have some shared infrastructure, as detailed in the Holistic Network Design.

Key Challenge

- Risk of stakeholder engagement fatigue:**
Community engagement is an important part of any project, but how is engagement managed from many different parties all working to the same timescales?
- Unclear policy framework:**
Given the wide area, how much influence should one country's guidance have in this area and how is consistency ensured across projects?
- Reflecting shared infrastructure:**
How does this shift to shared infrastructure affect the definition of community and the administration of funds?

The Celtic Sea leasing round

In October 2022, The Crown Estate updated developers on the design of the tender process for seabed leasing in the Celtic Sea. The Crown Estate has advised developers that, as part of their application, they will be expected to provide a plan of their early stage supply chain investment plan, with the final award of an Agreement for Lease for each site being wholly based on price offered.

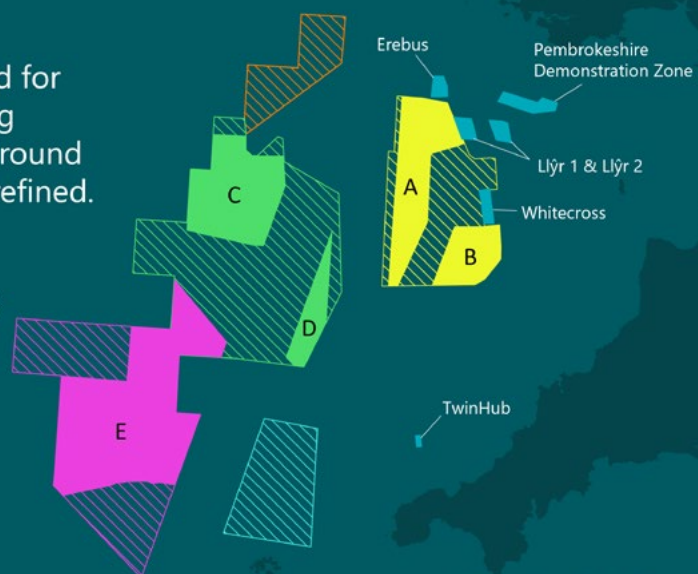
The Crown Estate has also indicated that social and environmental value creation plans will form part of the tender process, following the government's Social Value Model; however, it is unclear whether this will include the provision of community benefit funds or local ownership schemes. The full Information Memorandum is expected to be published in Spring 2023, which will hopefully provide further information and clarity, particularly around:

- Whether a commitment to providing community benefits or exploring local ownership will be included in the value creation plans?
- How The Crown Estate will use the money raised through the uncapped bids to accelerate development in the Celtic Sea?
- Whether The Crown Estate itself will look to contribute to early stage community benefit?
- How will it be ensured that projects remain competitive against the recently leased ScotWind projects?

The areas of search identified for The Crown Estate's upcoming floating offshore wind lease round in the Celtic Sea have been refined.

Zones 2, 3 and 4 have been reduced, with Zones 1 and 5 removed.

-  Area 1
-  Area 2
-  Area 3
-  Area 4
-  Area 5



Potential approach for the Celtic Sea

WHAT?

A minimum community benefit mandatory for all developers.

A commitment to a minimum amount of community benefit funding (£/MW) could be integrated into best practice guidelines under the definition of a “capable developer” in The Crown Estate’s leasing strategy. An element of best practice from a capable and competent developer should be to commit to providing community benefits as part of their project.

It is important to emphasise to developers that this does not need to involve detailed engagement with communities prior to winning a lease but instead show their intent to do so post Agreement of Lease.

HOW?

Set up a system of shared community benefit funds

Due to the unique nature of the Celtic Sea, and a high likelihood of shared infrastructure, a system of shared community benefit funds could be adopted. In this arrangement, developers who win a lease, are required to provide some proportion of their community benefit funding into a single pot.

Developers, along with other key stakeholders such as local authorities, should have a position within the governance board of the body or bodies providing funding and should be able to use their branding on the fund.

Funds should be distributed using a bottom-up approach, through a representative committee of individuals who encourage and are active in supporting the community to come forward with necessary projects.

WHO?

Through the singular fund, there should be a process to define geographical areas and communities of interest where community benefits will be distributed

- Identify communities directly impacted by projects through consultation.
- Define wider geographical area through consultation.

Community benefit funds should have a multi-strand approach including early benefits for impacted communities and regional funds post-energisation.

- Early funding (ahead of development and energisation) should be targeted towards specific, affected, local communities, including communities of interest and host communities.
- This advanced funding could be provided by a combination of organisations, including The Crown Estate, National Grid and developers who have been successful in the leasing round.
- A targeted pot of money directed at ‘affected communities’ from the onshore construction work of substation and cable lines should be provided whether this is from the developer or another body in charge of infrastructure.
- Post-energisation, another pot of funding, solely from developers, should be made available to wider regional projects. Applications to this fund would be based on merit, with potential scoring including distance from project, need, long-term viability etc.

There is appetite for greater community, local and national ownership – this should be encouraged as outlined in the Welsh guidance.

Innovative structures should be explored to allow for local and national interested parties to invest in and benefit from the Celtic Sea projects.

There are multiple viable options, including revenue sharing via debt finance, shared ownership through the use of community benefit societies or shared ownership via bills. Ways to support this should be explored, including the role of local authorities or regional investment funds to provide underwriting, bridging loans to developers and communities. However, these are not recommended to be mandated as it is understood to still be a challenging area.

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Lead authors:	Prina Sumaria - Local Energy Coordinator, Regen Poppy Maltby - Head of Cities and Regions, Regen Johnny Gowdy - Director, Regen
Contributors:	Fraser Stewart - Just Transition Lead, Regen Grace Millman - Energy Analyst, Regen Robbie Evans - Graduate Analyst, Regen
Approved by:	Johnny Gowdy - Director, Regen

Appendix

Site, Operator	Region	Operational date		Capacity of wind farm (MW)	Total community benefit fund (£ thousands)	Project lifespan (years)	Annual community benefit fund (£ thousands)	Fund pound per megawatt (£ thousands /MW)	Fund pound per megawatt hour (£ thousands/MWh)	Fund pound per megawatt/year
		Site	Fund							
Rampion, RWE	English Channel	2018 ³⁶	2017 ³⁷	400 ³⁸	3100 ³⁹	22.5 ³⁶	138 ⁴⁰	7.75 ⁴¹	0.36 ⁴²	0.34
Teeside, EDF	North Sea	2012 ⁴²	N/A	62 ⁴³	1760 ⁴⁴	22 ⁴⁰	80 ⁴⁵	1.29 ⁴¹	0.06 ⁴²	0.06
Race Bank and Hornsea Project One, Ørsted	North Sea	2018 ⁴⁶ 2020 ⁴⁷	2019 ⁴⁸	1791 ^{47,48}	11625 ⁴⁰	25 ^{43,44}	465 ⁴⁹	6.49 ⁴¹	0.30 ⁴²	0.26
Beatrice, SSE	Outer Moray Firth	2019 ⁴⁹	2016 ⁵⁰	588 ⁵⁰	6000 ⁵¹	25 ⁴⁶	240 ³⁸	10.24 ⁴¹	0.48 ⁴²	0.41
Burbo Bank Extension, Ørsted	Liverpool Bay	2017 ⁵²	2015 ⁵³	258 ⁵¹	5625 ⁴³	25 ⁵⁴	225 ⁵¹	21.80 ⁴¹	1.02 ⁴²	0.87

36 Rampion Offshore Wind, access September 2022, [Construction](#)

37 Rampion Offshore Wind, 2022, [Fifth Anniversary of Rampion Fund](#)

38 Rampion Offshore Wind, accessed September 2022, [The south coast's first offshore wind farm](#)

39 Rampion Offshore Wind, accessed September 2022, [Rampion Community Benefit Fund](#),

40 Total community benefit fund divided by the project lifespan

41 Total community benefit fund divided by wind farm capacity

42 Calculated using 41% capacity factor

43 EDF Renewables, 2009, [Teeside Project Overview](#)

44 Project lifespan multiplied by the annual community benefit fund

45 EDF Renewables, accessed September 2022, [Community investment](#)

46 Ørsted, accessed September 2022, [Race Bank Offshore Wind Farm](#)

47 Select Offshore, accessed September 2022, [Race Bank Wind Farm](#)

48 Future Power Technology, accessed September 2022, [Project Profile: Hornsea Offshore Wind Farm One](#),

49 Grantscape, accessed September 2022, [East Coast Community Fund](#)

50 Beatrice Offshore Windfarm Ltd, accessed September 2022, [About](#)

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