Foundation Scotland

# *Taking Stock*

## The Current and Future Financial Value of Onshore Wind Farm Community Benefit Funds in Scotland

Report prepared for Foundation Scotland

November 2013

# Contents



*Disclaimer:*

*Annette Filby Consulting (AFC) undertook the research. Both AFC and Foundation Scotland have acted in good faith and made every effort to ensure factual accuracy in collecting the information published in this report. The analysis and recommendations are based on the information available at the time of writing. Annette Filby Consulting and Foundation Scotland do not assume, and hereby disclaim, any liability for any loss or damage caused by errors or omissions in this report.*

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## Executive Summary

Community benefit funds are typically annual payments provided to the community or communities that are impacted by large scale commercial renewable developments. While not unique to onshore wind farms, community benefit funds are commonly provided in relation to such developments, and increasingly expected by the communities local to them. Funds are usually provided once a wind farm is operational for the duration of electricity generation, usually around 25 years.

Foundation Scotland is an independent charity established to strengthen local communities by designing and distributing funding programmes of varying scales and across different communities of place and/or interest. Foundation Scotland administers around 250 funds from a wide range of donors, including individuals, Trusts, companies, and currently also the Scottish Government. The Foundation is a leading provider of community benefit funds in Scotland and has a strong track record of working with commercial developers and communities as an independent third party to establish, administer and advise on community benefit funds.

The overarching aim of this research project was to ascertain the current and future value of community benefit funds from onshore wind farms in Scotland to identify the scale of the opportunity for communities and to help drive improvements in their design and delivery. The research focused on establishing the scale of community benefit funds and identifying the potential value of funds available in 2017 and 2020.

The current annual aggregate value of community benefit funds from onshore wind farms available to communities across Scotland is £6.92 million. Communities within the South West Scotland NUTS2 region[1] currently receive the highest level of funds, followed by the Highlands and Islands and East Scotland NUTS2 regions. The average annual rate of community benefit funds provided per megawatt of installed capacity of a wind farm has increased from £672 for wind farms commissioned before 2005 to £2,111 for wind farms commissioned since 2010.

Whilst, the Scottish Government's target of meeting the equivalent of 100% demand for electricity from renewable energy by 2020 is a significant driver for wind farm projects, developments can be constrained by many factors including investor confidence and grid limitations. These issues add to the challenges of accurately estimating the value of community benefit funds that could be available in future years. There are often a wide range of complex variables relating to each site which can impact on the length of time from consent to commissioning, with the result being that some sites which are yet to gain consent could nevertheless be operational within three to five years whilst

[1] NUTS, or Nomenclature of Units for Territorial Statistics, are geographical areas defined by the European Union for statistical and comparative purposes. Scotland has 4 regions at NUTS2 level. Appendix 2 of the report provides a description of those regions.

others may face significant delays post consent or may never be built out at all. Alongside these uncertainties, the impact of reduced subsidies for onshore wind is unclear.

However, based on the data uncovered for wind farms currently operational, along with developments under construction or which have received consent, it is anticipated that the aggregate value of community benefit funds in Scotland is likely to almost treble in the next 5 years to £18.87 million per annum by 2017. With the value of developments currently in the planning system and those being scoped, this amount could grow to £50 million by 2020. A component of the growth in community benefit funds is the increasing expectation (and in many cases commitment from renewables developers) that communities will receive £5,000 per megawatt of installed capacity per annum from new wind farm projects.

Over the next five years communities in the Highlands and Islands and South West Scotland NUTS2 regions are expected to see the greatest increases in community benefit funds from new onshore wind farm developments, as these areas are subject to the largest proposed increase in installed generating capacity. This will focus significant amounts of community benefit funds in some of the more rural and remote areas of Scotland whilst other areas of the country will see little direct benefit from the increase in wind farms. Foundation Scotland would suggest that with an enabling policy context and sufficient access to advice, support and emerging learning, communities have a unique and unprecedented opportunity to use these funds to contribute significantly to social, economic and environmental development. However, more discussion is required to consider how to best respond to this growth in funds whilst also ensuring they achieve positive impact and legacy.

# 1 Introduction

Foundation Scotland is one of the largest distributers of community benefit funds in Scotland, with a track record of administering monies arising from 28 of the country's 80+ operational onshore wind farms and with new funds frequently being established or in the pipeline. The organisation acts as an intermediary, working on behalf of both renewable energy companies and local communities where third party support and facilitation adds value to the process. Foundation Scotland seeks to ensure funds are set up and managed in a way that is truly accountable to local communities and effective in meeting local needs. This is done by providing independent support, enabling the involvement of local people in decision making, and providing expertise in grant making. In addition Foundation Scotland provides bespoke consultancy around wider community benefit policy and practice as well as convening learning opportunities with different stakeholder groups and disseminating findings widely.

Foundation Scotland commissioned independent research into the current and potential financial value of community benefit funds from commercial onshore wind farm developments in Scotland. The project was undertaken between June and September 2013 and this report presents the findings.

The overarching aim of the research is to drive improvements in the design and delivery of community benefit funds available in Scotland by identifying the scale of funds available at the time, and the possible future value of funds.

More specifically, the research sought to:

1. Establish current levels of community benefit funds available across Scotland from onshore wind farm developments with a total installed capacity of at least five megawatts (MW); and
2. Estimate the potential value of community benefit funds from onshore wind farm developments available to communities in five years' time, 2017, based on information for wind farm developments that have received consent (as at 1 August 2013). Broad estimates have also been incorporated in the report for 2020 which have been based on the level of proposals in the planning system or currently being scoped.

## 1.1 What are community benefit funds?

Community benefit funds are monies provided by developers to deliver social and economic benefits to the area where their development is located, beyond those that may arise directly from the project. In the UK, community benefit is predominantly associated with energy, mining and building developments. In the renewables sector, wind farm developments have led the way but there is growing discussion around community benefit in relation to wave and tidal power.

The Scottish Government refer to community benefit payments as follows:

> *Commercially developed projects often instigate a payment to a local community so there is some community wide benefit from a development. It should be recognised that there is no legal obligation to do this, but it is however becoming established as a norm and is generally known as 'community benefit' payment. It typically involves payments to a local representative body to fund initiatives and actions that will benefit the whole community*[2]*.*

This research project is concerned solely with onshore wind farms within Scotland, with which community benefit funds are now commonly associated. The funds are generally provided on an annual basis from the time the wind farm is operational for the duration of the wind farm's generating life, normally 25 years, providing a significant long-term source of funding for communities local to the wind farm site.

There is no legal or planning requirement by a developer to offer a community benefit donation and a local authority has no powers of enforcement if a developer is unwilling to make a contribution. However community benefit is increasingly being recognised as a strategic investment in communities where a developer has a long-term presence.

Planning legislation (section 75 of the Town and Country Planning (Scotland) Act 1997) requires a strict separation between the planning process through which a wind farm application must pass to gain consent, and any negotiations regarding community benefit. In some instances an indicative figure for community benefit funding is highlighted by the developer in the early stages of project development, prior to a planning consent decision; in other cases it is not announced publicly until after consent has been secured.

In areas set to experience the greatest increase in the number of wind farms, it is becoming common for local authorities to develop their own policy outlining proposed community benefit arrangements including the fund value, geographical area of benefit and – in some cases - preferred administration and distribution structures or providers.

[2] Scottish Government, Community Renewable Energy Toolkit, 2011

Whilst community benefit funds remain voluntary, expectations of their level have increased in recent years, with annual amounts of £5,000 per megawatt (MW) of the installed maximum capacity of the wind farm having recently become the industry standard for wind farms that are currently in the early stages of development. SSE publicly announced in November 2011 that up to £5,000 per MW would be the standard rate for all of their new developments[3] whilst some specific packages of partnership were already requiring developers of renewables on the National Forest Estate to pay a minimum £5,000 per MW of installed capacity per year[4]. The Scottish Government has also suggested in its recent draft Scottish Planning Policy consultation document that the current benchmark be £5,000 per MW of installed capacity per year[5]. Similarly, The Highland Council and Dumfries and Galloway Council both have policy guidelines stating that £5,000 per MW is also expected for community benefit funds. The Department of Energy and Climate Change has also recommended the rate of community benefit funding in England increase from the current rate of £1,000 per MW to £5,000 per MW[6].

As wind farm developments are generally located in remote and rural areas, this is increasingly resulting in large sums of money becoming available for some communities whilst others will receive no financial benefit whatsoever. Whilst this report does not cover how a geographical area of benefit for a fund should be defined, it is worth noting that SSE has stated that £5,000 per MW will be shared across the local community with £2,500 per MW each year provided to community groups within the immediate vicinity of the wind farm and £2,500 per MW annually provided to community groups within the wider region within which the wind farm is located. The boundary for the wider region will be established on a case by case basis with most following Local Authority boundaries[7]. In its Community Benefit Policy, The Highland Council also recommend making a component of the funds available to the wider area within which the wind farm is situated and another to the entire Highland region[8]. The issue of how community benefit funds potentially support other 'wider area' activity or investment opportunities beyond the immediate vicinity of the development is the subject of debate. Greater awareness and understanding of likely figures, beyond simply speculation, could help this discussion and it is hoped this report will contribute to that. However, Foundation Scotland considers it important that, given the legacy of arrangements to date and precedents set, the communities local to the wind farms have a central role in the discussion and decision making around the application of funds to broader themes or wider geographies.

[3] SSE Media release 'SSE establishes new £90 million onshore wind community investment plan' 30 November 2011
[4] Forestry Commission media release 'Communities to Benefit from windfarm boost' 22 February 2011
[5] Draft Scottish Planning Policy for Consultation, 30 April 2013
[6] Department of Energy and Climate Change, Onshore Wind Call for Evidence: Government Response to Part A (Community Engagement and Benefits), 6 June 2013
[7] SSE, Investing in the Community, 2012
[8] Highland Council, Community Benefit Policy, February 2013

## 1.2 Scottish Government's Renewable Energy Aspirations

The Scottish Government through the 2020 Renewable Routemap for Scotland has set a target to meet an equivalent of 100% demand for electricity from renewable energy by 2020[9]. Wind generation is a key component of the strategy to achieve this target. At the end of 2011, the equivalent of 36% of electricity demand was generated from renewable sources, ahead of the interim target that the Scottish Government had set of 31% by 2011. A new interim target, added in the October 2012 update to the 2020 Renewable Routemap for Scotland, is for the equivalent of 50% of electricity demand from renewable energy by 2015[10].

The development and construction of onshore wind farms is a relatively well-established industry, with a clear process for developers to consider. Off shore wind farms, hydro and tidal systems are also being proposed or developed and will similarly contribute to the Scottish Government target. As at 31 August 2013, the capacity of onshore wind energy generation in Scotland listed on the Department of Energy and Climate Change website was 4,179 megawatt (MW) whilst the total of all projects operational and consented was 8,056MW[11]. These figures, which include all proposals under and over 5MW in generating capacity, highlight the significant growth in onshore wind farms expected over the coming five years.

## 1.3 Research Scope

The research project focussed on onshore wind farms in Scotland with a total installed generating capacity of at least 5MW and that provide an annual community benefit fund. It does not cover community benefit funds flowing from other types of renewable installations – which could indeed inform another study - nor does it include other forms of community benefit provided by wind farm developers through local business support, in-kind activity, apprenticeships hosted by the developer or its supply chain or sponsorship. Developments that do not provide community benefit funds have not been included in the calculations, nor have wind farms with an installed generating capacity below 5MW, even though some of these do provide a small amount of community benefit funds.

There are a small but increasing number of wind farm developments across Scotland that are incorporating community ownership of a turbine or other forms of joint venture between commercial and community interests whereby the community may receive income directly through the generation of energy from such installations. Communities have also developed their own, wholly-owned renewable energy installations. Both can be a valuable source of income for a community, however

[9] 2020 Renewable Routemap for Scotland
[10] 2020 Renewable Routemap for Scotland – Update 30 October 2012
[11] Department of Energy and Climate Change website, Monthly Planning Database Extract, 2013

this research has only included such community ventures where separate community benefits funds are offered.

In calculating the potential value of community benefit funds available in Scotland by 2017 the consented wind farm developments included in the research are those at 31 August 2013 which have received planning consent from either the local authority or the Scottish Government (under section 36 of the Electricity Act 1989 - required when the total capacity of the wind farm is over 50MW). 2017 was selected as the future time frame as it is long enough to show the expected growth in the community benefits funds whilst maintaining a high degree of confidence in the data.

A consented project will typically be operational within three to five years unless there are significant delays such as sourcing finance or grid issues. Where these delays occur, within a five-year period there is still a sufficient degree of confidence that other projects currently in the final stages of the planning approval will be built out by 2017 to justify basing figures for 2017 on the total generating capacity currently consented.

Information on the potential increase in community benefit funds that communities might see by 2020 was included to acknowledge the high volume of wind farm applications both in the planning system and currently being scoped (pre-planning submission) by developers in Scotland. Many on-shore wind farm proposals are still being scoped and the maximum total installed capacity could therefore increase or decrease considerably by 2020.

# 2 Project Methodology

Foundation Scotland gathered and cross checked data from a number of sources to establish the current and potential aggregate value of community benefit funds in Scotland. These are detailed below. Assumptions were made as to the value of the community benefit funds for some currently operational wind farms and for the majority of wind farms that have recently been consented, as specific information has not been made available (or is unknown). Details of the community benefit funds for individual wind farms have not been included in the report. This is due to a number of developers agreeing to support the research, subject to the data on individual wind farms being kept confidential.

## 2.1 Stage 1. Desktop Research

Foundation Scotland's internal database of onshore wind farms was used as a starting point to identify wind farms within the scope of the research. In order to verify and add to the data, other online databases of operational and consented wind farm developments in the United Kingdom were accessed, including the Department of Energy and Climate Change RESTATS website[12], the Renewable UK website[13] as well as information from the Scottish Natural Heritage website[14]. These sites provided details on wind farm developments including the developer, the maximum capacity of the site and the local authority area in which the site is located.

The Scottish Government's Community Benefit Register was also scrutinised and cross referenced with the data from the above sites. This voluntary register records the value of the community benefit funds. At the time of researching however, data on the Register was presented inconsistently, with some funds listed as a rate per MW, others showing the amount provided in the first year, as well as a few showing only the total to date.

Further desktop research was undertaken using wind farm developer and community group websites to ascertain additional information and confirm details of the community benefit funds and the communities involved. The majority of developers' websites tend to note the value of the community benefits associated with their developments in the first year only.

## 2.2 Stage 2. Data confirmation from local sources

Contact was made by email and follow up telephone calls with all developers, requesting confirmation of the data that had been found from the desktop research. A number of developers were unavailable

[12] Department of Energy and Climate Change, RESTATS website
[13] Renewables UK, UK Wind Energy Database (UKWED)
[14] Scottish Natural Heritage, Scottish On-shore wind farms in Scotland (August 2012)

while others were not willing to devolve the individual details of the community benefit funds. Figures for their community benefit funds were therefore left as was stated in the above data sources.

Contact was also made with all local authorities in Scotland with wind farm developments within their areas. In some cases staff were able to provide additional information on the levels of community benefit funds.

Finally, while working with a number of community groups to develop case studies on good practice in the management of community benefit funds, the data for those particular cases was reconfirmed.

## 2.3 Stage 3. Calculations and Assumptions Used

**Methodology used to establish current rates of community benefit funds for operational wind farms**

The current level of community benefit funds is based predominately on 2012 figures, however for wind farm developments commissioned in 2013 the 2013 figure was used.

For 90% of the operational wind farms with community benefit funds identified in this research, some level of information was obtained on the current value of community benefit funds or from which this could be most accurately estimated. Information provided by developers, community groups or local authorities or sourced on the internet ranged from:

- Developers willing to provide full information and up-to-date data;
- The amount of community benefit fund per megawatt of installed capacity of a wind farm was listed on a website. Assumptions were made to extrapolate the data to establish the expected value for the current year; or
- The year one rate of benefit provided to the community was listed on a website. Again assumptions were made to identify the expected rate for the current year.

For the 10% of wind farms for which no information had been published online, and for which information could not be confirmed by either the developer or another relevant stakeholder (such as local authority or community group), the level of community benefit fund was set at £1,573 per MW, being the average rate per MW for the 90% of wind farms where information was available.

**Calculating current rate using the Retail Price Index**

The majority of existing and proposed community benefits funds are linked to annual retail price index (RPI) changes. Where a developer has not provided the current annual figure for the fund, RPI changes have been calculated based on the amount of funding provided to the community in the first year of operation. If the first year of the funds has not been confirmed, the year of commission for

the wind farm has been used as the first year of funding. Rates for RPI were obtained from the Office of National Statistics website[15].

A few of the more established wind farms have different structures for the amount of community benefit funding provided, often including a fixed payment and variable amounts depending on the level of energy generated in a given period. Where possible the current figure has been provided for these more complex arrangements, however where a developer has not provided information, RPI increases have been used for consistency.

**Assumptions used to establish the 2017 levels of currently operational wind farm community benefit funds**

To calculate the anticipated level of community benefits funds that are currently operational by 2017 a forecast retail price index rate of 3% per annum was applied to the total amount of community benefit funds provided in 2012 based on an average of the rates forecast by the Office for Budget Responsibility[16].

**Assumptions used to calculate the potential value of community benefit funds in 2017**

To calculate the aggregate value of community benefit funds that could be available in 2017 from wind farms currently operational and those that may become operational by that date, data for all consented developments was sought. A number of developers openly provide information online about the expected rate of community benefit funds for consented developments or were comfortable to discuss these. Other developers were not prepared to disclose potential rates as negotiations were in progress with the communities. For the developments where rates were not provided (55% of consented developments), or where discussions with the community were ongoing and the rate has not been finalised, an estimated rate was used. For developments that are known to be under construction where a rate for the community benefit funds was not disclosed, a rate of £3,000 per MW was assumed; this is based on the average known rates being negotiated for consented developments at this stage. For the projects where construction had not commenced and again a potential rate of community benefit funds was not disclosed, a rate of £5,000 per MW was applied as the standard rate for the potential community benefit fund. The higher rate for these projects was used given this is fast becoming the industry standard for new developments, with most major developers signing up to this rate publicly and smaller developers being expected to follow suit.

For developments currently under construction and with an expected commissioning year between 2013 and 2015, a forecast RPI rate was used to arrive at the potential rate in 2017. The forecast rate

[15] Office for National Statistics, RPI: % Change over 12 Months - All Items
[16] Office for Budget Responsibility, 2013, Economic and fiscal outlook, March 2013

of 3% was used based on an average forecast for the next 3 years used by the Office for Budget Responsibility[17].

**Calculation of community benefit funds by 2020**

To establish the indicative aggregate value of community benefit funds by 2020, developer websites were searched to identify projects at the pre-planning submission stage. Information on projects being scoped or in the planning system was also obtained from some of the local authorities, the Department of Energy and Climate Change's RESTATS website and the Scottish Natural Heritage website. An internet search of all developments listed as at 'scoping' or 'application' stage from the Department of Energy and Climate Change's RESTATS and Scottish Natural Heritage websites was undertaken to try to ascertain the potential size of each development. As with the 2017 data, some developers provided a potential rate of community benefit funds on their website. Where a rate was not listed the rate of £5,000 per MW of total installed capacity was used.

As it is unlikely that all the proposed developments will proceed, information was sourced on the current rates for applications being refused at the time of writing. Based on information from Scottish Natural Heritage's annual statistics and analysis reports, the rate of withdrawn and refused applications at April 2013 was approximately 20%[18].

**Use of NUTS2 Regions**

NUTS, or Nomenclature of Units for Territorial Statistics, are geographical areas defined by the European Union for statistical and comparative purposes. The NUTS2 level of Scotland regions have been used in this report to provide a regional analysis of the data. This is due to the low number of wind farms in some local authority areas and the need to maintain confidentially of individual wind farm data as requested by some developers.

[17] Office for Budget Responsibility, 2013, Economic and fiscal outlook, March 2013
[18] Scottish Natural Heritage, 2012, Renewable Electricity trends in Scotland, Statistics and Analysis, April 2013

# 3 Value of community benefit funds in Scotland

## 3.1 Current value of community benefit funds

As at 31 August 2013 there were 86 operational wind farms in Scotland with capacity over 5 MW which have community benefit funds linked to them. There are a small number of wind farms that do not have community benefit funds as they are either privately owned, were established before the provision of such funds was the industry norm or are community owned wind farms where the community received revenue directly from the export of electricity from the wind farm. Some level of data was sourced on the community benefit funds available for 77 (or 90%) of the wind farms. From the research, the average rate of community benefits based on the first year rate of community benefit funds was £1,573 per MW. The information available ranged from current data provided by a developer to information sourced from a website, local authority or community group associated with the wind farm. For the remaining 10%, the average rate of £1,573 per MW was applied. The total installed operational capacity of wind farms with community benefit funds included in this research is 3,894MW. With total installed onshore wind capacity in Scotland currently 4,179MW[19], this represents 93% of this capacity. The total annual amount of community benefit funds in 2012 was £6.92 million.

Table 1 shows the 2012 levels of community benefit funds by the four NUTS2 regions in Scotland[20] factoring in RPI increases in funding for wind farms that were operational prior to 2012. South West Scotland has the greatest value of community benefit funds at £3.17 million, followed by Highland and Islands and the East Scotland with £1.84 and £1.76 million respectively.

**Table 1: 2012 levels of community benefit funds from operational wind farms**

| NUTS2 regions of Scotland | Number of Operational wind farms with community benefit funds | Total Installed capacity (MW) of the wind farms | Aggregate value of community benefit funds (2012) | Regional Average rate per MW based on 2012 figures |
|---|---|---|---|---|
| East Scotland | 25 | 1092 | £1,756,751 | £1,609 |
| Highlands and Islands | 32 | 1048 | £1,840,744 | £1,756 |
| North East Scotland | 8 | 111 | £146,255 | £1,313 |
| South West | 21 | 1642 | £3,172,539 | £1,932 |
| **Total** | **86** | **3894** | **£6,916,288** | **£1,776** |

[19] Department of Energy and Climate Change website, Monthly Planning Database Extract, 2013
[20] For details on NUTS2 regions see Appendix 2

Table 2 below shows how the rate for community benefit funds per megawatt of installed capacity has increased over time from an average of £672 per MW of installed capacity for funds established prior to 2005 increasing to £2,111 for funds created after 2010.

**Table 2: Rates of community benefit per MW by year wind farm first commissioned**

| | Wind farms commissioned before 2005 (1995-2004) | Wind farms commissioned between 2005-2009 | Wind farms commissioned after 2010 |
|---|---|---|---|
| Total MW hours commissioned in period | 377 | 1741 | 1775 |
| Total base year (year 1) community benefits available | £253,437 | £2,123,289 | £3,747,629 |
| Average CB /MW installed capacity | £672 | £1,219 | £2,111 |

By way of comparison, a June 2013 media release from Community Energy Scotland and Scottish Renewables announced that there were more than £5 million in community benefits provided each year[21]. In April 2012, Consumer Focus Scotland estimated £4-5 million per annum[22]. The findings of this research, while taking into account recent growth in annual rates of community benefit payments, do suggest a higher level of current community benefit payments being made available than previously recognised.

## 3.2 Potential value of community benefit funds by 2017

In estimating the potential 2017 aggregate value of community benefit funds, a list of developments that have received planning consent (as at 31 August 2013) was prepared. As at 31 August 2013, there were 69 wind farm developments that had received consent but were not yet operational. The total potential installed capacity of these developments was 2,998MW. Data on the expected level of community benefits funds could be sourced for 45% of these wind farms, with estimated rates of community benefit used for the remaining 55% (38 in total). Of these 38 developments, 14 were estimated at £3,000 (20% of the total developments) and 24 were estimated at £5,000 (35% of the total developments).

These estimated rates were based on the following rationale: where a developer had not announced a rate for a community benefit fund associated with a project under construction, a rate of £3,000 per MW was applied being the average value of the 45% where data on expected levels could be sourced. The rate of £5,000 per MW was applied to developments that have received consent but are not yet under construction. This is based on the likely impact of the forthcoming Scottish Government

[21] Scottish Renewables, 2013, Community benefit tops £5 million from Scottish wind farms
[22] Consumer Focus Scotland, 2012, Reaping the benefits of renewables, The role of community benefit funds in tackling fuel poverty and energy efficiency

Guidelines on community benefit which recommend £5,000 per MW as the minimum value for community funds.

If all these consented wind farms were to become operational, the total additional value of community benefits available from these new developments would be close to £10.84 million. Using forecast RPI increases, the value of funds operational in 2012 is assumed to increase from £6.92 million to £8.03 million by 2017. Therefore, combining these figures, the total value of community benefit funds by 2017 could be approximately £18.87 million.

It is unlikely that all the currently consented sites will be constructed within the next five years as each site will have its own issues which can result in some having significant delays in becoming operational, for example due to problems with gaining finance, connecting to the grid or satisfying planning conditions. However it can reasonably be assumed that there will be other developments that are currently in the final stages of the planning process that will become operational very quickly, and therefore it is considered that the estimated additional £10.84 million in community benefits being provided by 2017 from onshore wind farms is a realistic value.

Table 3 below provides a breakdown of community benefit values by the four NUTS2 regions of Scotland. Funds have been separated into those associated with wind energy developments that are under construction and those that have been consented but are not currently under construction. Funds associated with wind farms that were operational at the time of preparing the report have been calculated using a forecast RPI increase to reflect the likely rate of funds available in 2017.

**Table 3: Potential value of community benefits funds (operational and consented projects) by 2017**

| NUTS2 Region | **Currently Operational** community benefit funds (2017 estimated values) | Potential New community benefits funds in 2017 **for projects under construction** | Potential New community benefits funds in 2017 for projects consented **(not under construction)** | **Potential Total value of community benefit funds in 2017** |
|---|---|---|---|---|
| East Scotland | £2,040,510 | £87,000 | £610,028 | £2,737,538 |
| Highland and Islands | £2,138,070 | £1,109,186 | £3,661,938 | £6,909,194 |
| North East Scotland | £169,879 | £466,492 | £278,318 | £914,689 |
| South West | £3,684,983 | £1,067,239 | £3,556,250 | £8,308,472 |
| **Total** | **£8,033,442** | **£2,729,917** | **£8,106,534** | **£18,869,893** |

The table shows that the 2012 rate of £6.92 million from operational wind farms will increase due to RPI indexing to £8.03 million. For developments known to be under construction the value of the

community benefit funds for these will be in the vicinity of an additional £2.73 million. The value of the community benefits for consented projects that are not under construction could be significantly higher with £8.11 million expected to arise from these developments.

In terms of regional variation, Table 3 shows that significant funds that will become available to communities within the Highlands and Islands and South West of Scotland in particular.

## 3.3 Community benefit funds by 2020 and beyond

A significant development not included in the calculations for 2017 was the Viking Wind Farm Development on the Shetland Islands. This one development is expected to add a further £1.8 million per annum to the total value of the community benefit funds should it not be affected by a recent judicial review and should it be operational by 2020.

The policy drive by the Scottish Government to achieve the target of the equivalent of 100% demand for electricity from renewable energy by 2020, coupled with the financial incentives for developers to install onshore wind farms, has resulted in large numbers of applications in the planning system and new developments currently being scoped. The potential total installed capacity of all wind farm applications currently in the planning system awaiting a decision is in the order of 4,900MW. The scale of the developments being scoped is an additional 4,100 MW of potential installed capacity.

However, not all of these proposed developments will progress from scoping to a planning application being submitted to the relevant authority and not all applications will be approved. The current rate of withdrawn and refused applications is approximately 20% (see section 2). Table 4 provides indicative values of the potential new community benefit funds for all the developments and the value if 80%, 60% or 40% of the developments were approved by 2020.

**Table 4: Potential levels of community benefit funds from new onshore wind farm developments by 2020**

| | Total if **all** proposed developments are approved | Total if **80%** of the proposed developments are approved | Total if **60%** of the proposed developments are approved | Total if **40%** of the proposed developments are approved |
|---|---|---|---|---|
| Value of developments in Application phase | 4,910 MW | 3,928 MW | 2,946 MW | 1,964 MW |
| Value of developments in Scoping phase | 4,163 MW | 3,330 MW | 2,498 MW | 1,665 MW |
| **Potential new generating capacity** | **9,073 MW** | **7,258 MW** | **5,444 MW** | **3,629 MW** |
| **Potential new community benefit funds[23]** | **£43.8M** | **£35.0M** | **£26.3M** | **£17.5M** |

Using the £26.3 million from the 60% approval rate as a realistic value, when added to the £18.7 million anticipated levels of community benefit funds in 2017 (from operational and consented developments which will continue to increase annually with RPI) there could be in the order of £45 million in community benefit funds available annually to Scotland's communities from onshore wind farm developments. For reasons already presented, it will always be difficult to put a timeframe to exactly when this level of community benefit funds might be available however it could realistically be available by 2020 or early in that decade.

In addition to the information in table 4, the Forestry Commission between 2009 and 2011 split the national forest estate into six separate regions and went through a process to engage commercial partners to help it investigate and deliver wind energy projects[24]. The Forestry Commission anticipate that there could be about 2,000MW of capacity installed by 2020 on the National Forest Estate, however very few details of individual projects are currently available so this anticipated rate was not included in the calculations. If the Forestry Commission was to achieve its target and community benefit funds were provided for all the developments this could add an additional £10 million to the total value of the funds bringing the total amount of community benefit funds available annually closer to £55 million.

[23] The rates of community benefit fund for potential new community benefit funds from applications being scoped or in the planning system is based on a rate of £5,000 per MW unless a different amount was listed on a developer's website

[24] Forestry Commission, Wind Developments on the National Forest Estate

Some areas of Scotland will find themselves with abundant community benefit funds whilst others might only see limited or no impact from these monies. Table 5 and 6 highlight the areas of Scotland that are likely to see the greatest impact from the potential additional community benefit funds based on applications currently in the planning system and developments being scoped. The South West and the Highlands and Islands NUTS2 regions continue to dominate with significant numbers of individual wind farms.

**Table 5: Wind Farm Applications currently in the planning stage awaiting an outcome**

| NUTS2 Region | Number of wind farms | Installed capacity (MW) | Estimated community benefits (2020) | Potential community benefit funds for a range of scenarios | | |
|---|---|---|---|---|---|---|
| | | | | 80% | 60% | 40% |
| East Scotland | 27 | 922.1 | £4.37M | £3.50M | £2.62M | £1.75M |
| Highlands and Islands | 28 | 1,727.0 | £8.47M | £6.78M | £5.08M | £3.39M |
| North East Scotland | 8 | 114.9 | £0.56M | £0.45M | £0.34M | £0.22M |
| South West | 49 | 2,146.6 | £10.18M | £8.14M | £6.11M | £4.07M |
| **Total** | **112** | **4,910.6** | **£23.58M** | **£18.87M** | **£14.15M** | **£9.43M** |

**Table 6: Wind Farms currently being scoped**

| NUTS2 Region | Number of wind farms | Installed capacity (MW) | Total Estimated community benefits (2020) | Potential community benefit funds for a range of scenarios | | |
|---|---|---|---|---|---|---|
| | | | | 80% | 60% | 40% |
| East Scotland | 20 | 633.1 | £3.11M | £2.48M | £1.86M | £1.24M |
| Highlands and Islands | 31 | 1,424.5 | £6.78M | £5.43M | £4.07M | £2.71M |
| North East Scotland | 3 | 77.9 | £0.31M | £0.25M | £0.18M | £0.12 |
| South West | 40 | 2,027.1 | £9.99M | £7.99M | £6.00M | £4.00M |
| **Total** | **94** | **4,162.6** | **£20.19M** | **£16.15M** | **£12.11M** | **£8.07M** |

What the figures presented above don't show is the highly localised geographical area of benefit associated with some community benefit funds resulting in limited numbers of communities benefiting across some local authority areas. Given this scenario, it is not surprising that the question of how best to create broader impact from community benefit funds is rightly receiving increasing attention. Indeed it is increasingly recognised that planning for effective spend – whilst outside the scope of this report - is an essential component of developing a fund.

# 4 Conclusion

The annual value of community benefit funds from onshore wind farms in Scotland in 2012 is in excess of £6.92 million. It is anticipated that the annual figure could be as much as £18.87 million by 2017. When factoring in the projects being scoped and planned, by 2020 it is possible that the value of community benefit funds available annually in Scotland could be in the region of £50 million.

Alongside an ambition to ensure communities can seize this unprecedented opportunity it is critical to ensure that the range of fund opportunities extends beyond onshore wind farms and becomes applicable across other technologies in the renewables industry, thereby extending the range of funds as well as potentially increasing the rate.

The scale of the onshore wind related opportunity is highlighted by comparing these sums with the LEADER programme in Scotland which over the 2007-2013 period invested approximately £60 million into rural communities[25] – an average of £10 million annually. At a different scale, the Big Lottery Fund has distributed an approximate annual average of £60-£70 million across Scotland's communities over the last five years.

The complex and variable issues affecting the length of time it may take any project to move from consent to commission, makes it difficult to be precise when calculating values of community benefit funds. At a macro level, reducing subsides for onshore wind could affect the pipeline of projects and, in turn, community benefit funds. However, this report demonstrates that the funds already available are significant and with sufficient access to advice, support and emerging learning, Foundation Scotland contends that many communities have a unique opportunity to ensure these funds secure long-term sustainable development outcomes in communities.

[25] http://www.scotland.gov.uk/Topics/farmingrural/SRDP

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# Appendix 1 – List of contributors

**Developers**

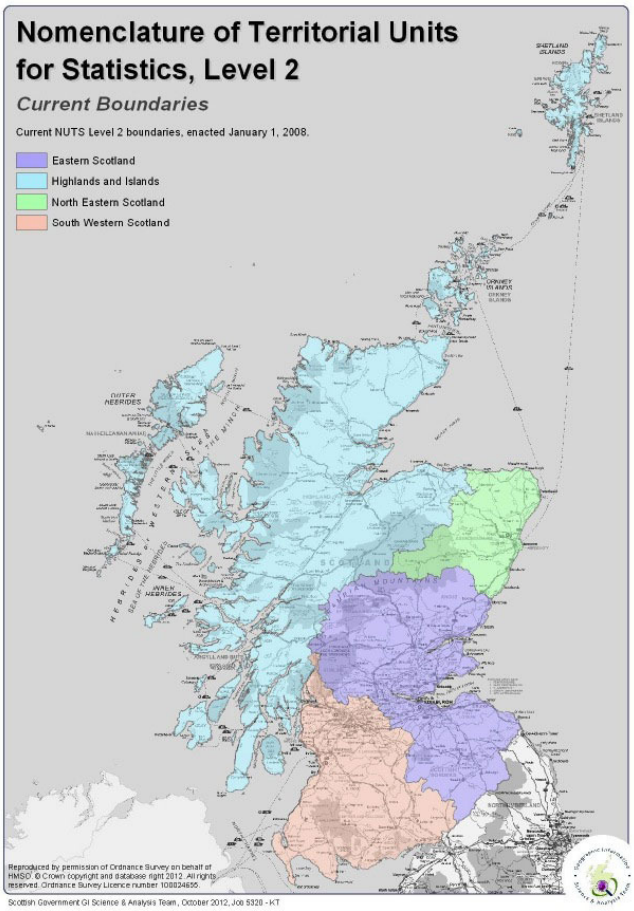
AES Wind Generation
BayWa.r.e UK Ltd (formerly Renerco)
Falck Renewables
GDF Suez
RES
RWEnpower renewables
ScottishPower Renewables
SSE
Stratcraft
WindProspect (representing EDF Energy)
EOn
Vattenfall

**Local Authorities**

Aberdeenshire
Argyll and Bute
Clackmannanshire
Dumfries and Galloway
East Ayrshire
East Lothian
East Renfrewshire
Fife
Highlands
Midlothian
Moray
North Ayrshire
North Lanarkshire
Scottish Borders
South Lanarkshire
West Lothian

## Appendix 2 – NUTS2 regions

NUTS, or Nomenclature of Units for Territorial Statistics, are geographical areas defined by the European Union for statistical and comparative purposes.




**Eastern Scotland** – Angus and Dundee, Clackmannanshire, Fire, East Lothian, Mid Lothian, Scottish Borders, Edinburgh, Falkirk, Perth and Kinross, Stirling, West Lothian

**Highlands and Islands** – Highland, Moray, Eilean Siar (Western Isles) Shetland, Orkney, Argyll and Bute *(Note Argyll and Bute is normally divided between South West Scotland and Highlands. For ease of calculations, the whole council has been included in the one region which reflects that most of the wind farms are in the northern area)*

**North Eastern Scotland** – Aberdeen City and Aberdeenshire

**South West Scotland** - Dumfries and Galloway, Renfrewshire, East Renfrewshire, East Ayrshire, South Ayrshire, North Ayrshire, North Lanarkshire, South Lanarkshire, East and West Dunbartonshire, Glasgow, Inverclyde