

# **DEVELOPMENT OF RENEWABLE ENERGY FROM WIND AND HYDROPOWER ON THE NATIONAL FOREST ESTATE**

## **SECURING BENEFITS FOR COMMUNITIES**

### **Introduction**

1. This paper sets out the approach of Forestry Commission Scotland (FCS) to securing benefits for communities from the development of renewable energy through wind and hydropower on the national forest estate (NFE). In particular, it considers how best to move forward once FCS has powers, under section 59 of the Climate Change (Scotland) Act 2009, to form companies and enter joint ventures (JVs).

### **Policy context**

- 2.1 The Scottish Government (SG) is keen to maximise the benefits for communities from renewable energy. Planning policy on renewable energy (SPP6) supports the principle of community benefits, including the potential for community ownership, but notes the need for a strict separation between the planning consent process and any negotiations regarding community benefit. The Scottish Forestry Strategy also includes clear commitments to supporting community development.
- 2.2 The principles set out in policy guidance<sup>1</sup> will inform FCS practice. It remains the case that where the community is a stakeholder and/or consultee in relation to renewables development, FCS will implement good practice as outlined in its document “Working with Communities”<sup>2</sup>.

### **Current practice on the national forest estate**

#### *Leases for commercial developments*

4. Where parts of the NFE are leased for commercial development of wind farms or hydro schemes, FCS encourages developers to offer community benefits in line with best practice within the renewables industry.

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<sup>1</sup> see for example:  
<http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/engage/standards>,  
<http://www.scotland.gov.uk/Resource/Doc/264771/0079288.pdf> and  
*A Toolkit for Delivering community benefits from wind energy development*, published at  
[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/uk\\_supply/energy\\_mix/renewable/res/res.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/res/res.aspx)

<sup>2</sup> <http://www.forestry.gov.uk/communitiesscotland>

## *Community-based developments under the National Forest Land Scheme*

5. The National Forest Land Scheme (NFLS)<sup>3</sup> provides opportunities for communities to acquire or lease land for wind and hydropower developments. Where a community makes an approach to FCS, under the NFLS, about a community-based development on land that is already being considered by another development partner, FCS will ask that development partner to enter into discussions with the community about a mutually acceptable way forward. Following this active dialogue, if a community decides to pursue an application under the NFLS it will be assessed against the criteria set out in the NFLS guidance booklet. Ultimately, it will be for FCS to decide whether or not to accept an application under the NFLS. In the (unlikely) circumstances that a community-based scheme cannot be accepted because of an adverse impact on another development, the developers would, as a matter of course, be expected to offer community benefits, which could include non-voting shares in a JV.

### **Opportunities from JVs on the national forest estate**

6. Where FCS forms JVs for wind and hydro development on the NFE, it will expect these JVs to promote the delivery of community benefits in ways that demonstrate best practice. Recognising that a different model may be appropriate in different situations (and that new opportunities may emerge in the future), these JVs will offer communities the following options<sup>4</sup>:
  - direct payments for community purposes by the JV to a pre-existing or newly established community organisation, which could utilise the money for community purposes. This is a relatively common approach to providing community benefit in respect of wind farm projects. The payment would be based on the installed capacity of the development;
  - direct payments for community purposes by the JV to the local authority . This is another well-established approach, and again the payment would be based on the installed capacity of the development;
  - in lieu of direct payments, offer to give non-voting shares to a suitably constituted community organisation such as a Company Limited by Guarantee (CLG). The CLG would receive dividend payments or royalties from the JV, which it could utilise for community purposes;

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<sup>3</sup> <http://www.forestry.gov.uk/website/forestry.nsf/byunique/infd-66re5j>

<sup>4</sup> Where FCS has less than a 50% stake in the JV, it will be classed as a private body and so will be free to offer community benefits; however, statutory authority would be needed if the JV were classed as a public body.

- an opportunity for communities to purchase additional non-voting shares, if this could be financed by the community in a way that protected community interests (eg through a Community Interest Company) and did not lead to excessive transaction costs (eg under the Financial Services legislation).

7. Early dialogue with the community will required in order to:

- determine the geographical boundaries of the “community” that would benefit from these opportunities;
- agree the “community purposes” that can benefit from these payments;
- help the community select the preferred benefits options, recognising the importance of having robust and long lasting delivery structures.

FCS will normally expect the developer to employ a third party (which may be an organisation specialising in community facilitation, or the local authority) to facilitate this dialogue between the JV and the community.

Forestry Commission Scotland  
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