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Sustainability First response to the DESNZ Consultation on Community Benefits

Sustainability First is a charity and think tank focussed on social and environmental issues in the energy and water sectors. We welcome the opportunity to respond to this consultation, and broadly support the proposals set out for how community benefits should be delivered for electricity transmission and interconnection network infrastructure. Below we set out our high-level views and are happy to discuss this further.

We believe community benefits will play an important role in bringing communities on the net zero journey and ensuring a just transition. We recently delivered a series of workshops with members of the public focussed on a fair energy transition. While not all citizens are supportive of the net zero transition, we nonetheless found that climate awareness and willingness to engage with collective and individual action is high. There is a real desire for more information and engagement; to empower people through knowledge as well as significant support for companies to work with local groups to fund practical projects which support affordability, the environment, net zero, employment, resilience, and the wider needs of local communities. Our research also found that there was potential additional leverage and increased trust and engagement that could be achieved by involving independent voluntary sector organisations.

Providing more funding combined with access to information to improve public understanding of the energy and climate challenges ahead could make a big difference.

Our recent research (commissioning YouGov to poll 1,769 adults, in October 2022) found that when asked 'What, if anything, stops you from taking actions to reduce your carbon footprint?' 45% of all respondents said that it was the cost of doing so. When asked what would help individuals make more environmentally friendly choices, 53% said government financial support for making changes that reduce individuals' carbon footprint (e.g., for the installation of new clean heating technologies). Also, 33% said more and better information on how to make more environmentally friendly choices would help. The shift away from fossil fuels, to fundamentally change the system, is dependent on government actions. The proposals in this consultation are therefore likely to receive public support, as well as assisting the nation in achieving its net zero ambitions.

We have concerns regarding the use of a voluntary scheme as set out in this guidance. We believe that effective community engagement, and the direct support of communities towards a just transition for our future energy needs is essential. If government is to achieve its net zero ambitions, we need industry-wide action that cannot be postponed, ignored, or diluted at the company level.

There is an inherent risk with a voluntary approach that communities and individuals with weaker advocacy skills could get a 'worse deal', threatening polarisation of already-disadvantaged communities. The government says that it would monitor company performance to ensure a consistent and fair approach, but we can't afford not to get this right first time from a customer confidence and trust perspective. If public engagement with communities is not effectively delivered from the outset, confidence could be undermined, and it would be hard to regain trust. This would also have cost and resource impacts making it harder for companies to deliver the infrastructure at the pace needed. Also, not all communities and customers will have sufficient time to engage or may find it harder to engage, including those on low incomes and in vulnerable situations, and this needs to be taken into consideration.

Greater clarity of the overarching objectives of this guidance is needed. For example, if the purpose of this guidance is to enable better public understanding and acknowledgment of the impacts of increased infrastructure on communities needed to meet net zero targets, then this should be made clear. It is also very important for a distinction to be drawn between compensating communities and mitigating against the adverse impacts of changes to the transmission and interconnection network, and the creation of community benefits.

This guidance should be separate from the planning process. While some level of mandation is required to ensure minimum level consistency, some flexibility in the guidance is important, ensuring that developers can work together with communities to develop community benefit packages that are tailored to the needs and priorities of that community.

On direct payments as a means of creating community benefit, there are instances, where this will be appropriate e.g., forced acquisition of land or where activity will clearly negatively financially impact certain households or businesses. However, we support funding community schemes that have wider and more enduring benefits to communities that meet certain criteria. This includes those which are directly linked to the potential harm caused and support sustainable thriving resilient communities and the transition to net zero. For example, if biodiversity is negatively impacted, schemes that support enhancing biodiversity;

schemes focused on promoting social mobility with skills and apprenticeships that can support net zero transition longer term and create jobs; a scheme which provides energy efficiency measures through the retrofit of existing housing stock in a community helps to ensure action on net zero, and reduces energy bills for consumers as well as supporting wider resilience of the energy system. Delivering this wider societal and energy system benefit is especially important where this is funded via a cross subsidy from all energy bills. Also, creating a scheme of direct payments would only make community benefit schemes too similar to compensation schemes.

There must be clear and robust processes and mechanisms for funding that are agreed with Ofgem, or an alternative agreed body, that can be monitored and evaluated for their effectiveness to avoid tick box initiatives that are not best value for communities or the energy customers who have funded them.

Without prejudice to our view opposing a voluntary approach to this guidance, if the government does pursue a voluntary scheme, then it should be clear about what is meant by 'voluntary' in the context of this guidance, how effectiveness will be evaluated and monitored to avoid any ambiguity that could lead to very different interpretations or application. There is also value in flexibility to respond to local needs and wants.

We have concerns with the 'one-size-fits-all' approach to funding based on the cost of a project. Not all projects are equal in terms of impact on communities, individuals, or the environment.

Use of pilot schemes could help to determine a meaningful level of funding.

We do not believe that the level of funding made available should be based on a percentage of project costs. Instead, a detailed analysis of the scale of the opportunities and challenges that this funding could tackle would help to inform government of the scale and potential of this scheme. We would recommend that in the first phase of roll-out, the guidance recommends companies to explore the scale of finance required to support the types of community benefit schemes being proposed, working directly with those communities that this has an impact upon. That way, an informed decision can be taken to determine a meaningful level of funding for the longer term. This could then be included in future iterations of this guidance, and incorporated into the mandated guidance if the scheme starts as voluntary and transitions to mandatory. It might also be appropriate to determine two levels of financial support within this new fund – one at a smaller scale for 'softer' community engagement and capacity building (e.g., schemes focussed on energy and climate literacy), where costs of delivery may be smaller

than proposed schemes that include capital expenditure (e.g., a community solar scheme, or nature and recreation park development).

The guidance should be flexible, allowing the development of community benefit schemes which support the local need within agreed parameters. We agree on the importance of community involvement in determining how funds are invested, and that the establishment of community fora or panels supported by scheme developers and strategic partners, including local authorities and third sector organisations. The schemes should be supported by a separate, independent administrator, who can offer advice on the most effective and appropriate means of delivering schemes, as well as ensure robust governance and associated fiduciary duties are carried out to mitigate against the misappropriation of funds or delivery of projects outside of the scope of this guidance.

From an engagement perspective, in practice, history suggests transmission companies may require guidance, support and encouragement to properly invest appropriate resource in public engagement with end-user citizens. We recommend that the government should set standards for high-quality engagement as a part of this guidance. The current independent User Groups, or another independent body could help to monitor the quality of engagement, or provide the guidance and support needed, on how to engage well and offer quality assurance. Citizens Advice Scotland recently produced guidance entitled *Engaging Hearts and Minds: A study into conducting successful engagement for communities and organisations* which includes a blueprint for successful engagement. We would also be happy to advise on potential standards and how these can best be monitored based on our experience of assuring company engagement approaches over the last six years.

Community champions to enable effective engagement.

As a part of this successful engagement, a 'community champion' from the area, who could be supported to have both knowledge of the energy system and sector, as well as community engagement skills, could be nominated to help communities to set local priorities, support development of project funding proposals, and provide ongoing advice and monitoring throughout the delivery of projects that are awarded funding. This role was an important part of the success of a pilot community energy project in Oxfordshire, called Project LEO (https://project-leo.co.uk/).

Success criteria need to be clearly articulated to help communities understand the scope of funding for projects, and what the funding is intended to enable. These criteria should include the extent to which engagement has happened, including whether activities have been successful in reaching groups who are often under-represented and unheard in sustainability and energy work programmes, qualitative data capturing public opinion and levels of climate and energy literacy, as well as project specific quantitative data (e.g., the numbers of direct beneficiaries).

Building trust and confidence in the energy sector to tackle climate change.

If part of this approach is about also helping to align communities with the challenges of our future energy needs, and secure their support, then there needs to be some mechanism for companies to promote their contribution and help build trust in the sector, otherwise the public may not know how they have helped their community - as is often the case with developers now currently donate to community projects as part of planning acceptance.

Recommendation for ongoing dialogue with companies, communities, and organisations to ensure effective roll-out and appropriate updates to guidance.

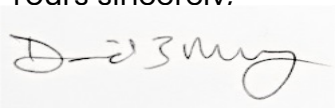
Finally, we would recommend that government continues to proactively seek feedback from all stakeholders involved in the development and delivery of schemes through this new community benefit funding. The lived experiences of communities and their direct input into specific projects should provide a depth of understanding that could significantly help future development of this guidance, and indeed wider guidance on effective community engagement and community co-creation of sustainability projects.

Ongoing support to government.

Sustainability First would be delighted to support government longer-term with the review and development of this guidance and associated work, and as such offer an open opportunity to contact us at any time that this offer of assistance might be of use and value.

Thank you again for this opportunity to submit our response to this consultation.

Yours sincerely,



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