



# Community Benefit Sharing and Renewable Energy and Green Hydrogen Projects: Policy Guidance for Governments

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# Key Messages

This report offers high-level guidance to governments that want to mandate or encourage the use of benefit-sharing arrangements in connection with renewable energy projects, including power and hydrogen generation and grid infrastructure. In the right circumstances, and if appropriately designed and governed, benefit-sharing arrangements can be a useful mechanism to ensure that project-affected communities experience positive outcomes from those projects. Such direct community benefits can play an important role in ensuring communities are treated fairly, while also building local support that can expedite project development.

## Our key recommendations follow:

1. To ramp up the development of renewables projects, governments need a strong and coherent policy approach that addresses **the rights, expectations, and perspectives of project-affected communities**.
2. Governments should encourage, and ideally mandate, **a robust element of community consultation** in the design of community benefit-sharing arrangements. Governments should also ensure that those consultations are meaningful and in good faith.
3. Governments should look for opportunities to go beyond mere consultation and encourage **community co-design** of benefit-sharing arrangements.
4. Even where a benefit-sharing arrangement is not co-designed, governments should consider mandating or encouraging a **strong community role in managing** the arrangements.
5. Governments should ensure that **consultation is done early enough** to maximize the practical space for community influence on the design of benefit-sharing arrangements. Ideally, it should also be **ongoing throughout the duration of the program** to ensure accountability and effectiveness.
6. Governments should ensure that communities have access to effective and accessible **grievance mechanisms** that empower them to bring forward complaints regarding the operation of community benefit-sharing arrangements.
7. Governments should provide **specific guidance or binding regulation regarding the priorities** that should drive community benefit-sharing arrangements. Government policy must ensure that benefit-sharing arrangements are not used as a shortcut to securing social license without addressing a project's negative impacts.
8. Governments should **distinguish the negotiation of benefit-sharing arrangements from their larger responsibilities to protect human rights** and to ensure community participation in other decision-making and planning processes (for example, early consultation regarding consent or consultations within an Environmental Impact Assessment process).
9. Governments should **set specific parameters and boundaries** for what should and should not be addressed through community consultation processes in the context of benefit sharing.
10. Some governments may impose frameworks for community benefit-sharing arrangements that require them to adhere to a uniform template. Other governments may leave the nature and governance of community benefit-sharing arrangements largely open to the creativity of parties in any given negotiation. In the latter case, **governments should ensure that communities can participate on an equal footing**, including by providing them with independent support where appropriate. Governments should also ensure effective regulatory oversight to prevent any deceptive, corrupt, or abusive practices by project proponents.

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11. To ramp up renewables projects responsibly, governments need to **strike a delicate policy balance**. They may not want to allow communities to indefinitely hold up projects when agreement on the terms of benefit-sharing arrangements is elusive. Equally, however, governments should not leave communities in a position of such little power that consultation risks being pro forma rather than meaningful.
  12. **In some circumstances, governments may require community assent** to the terms of benefit-sharing arrangements. **But in other cases, governments may allow parties to bring the government in to mediate disputes** with project developers and impose solutions. The viability of the latter approach depends on the governments acting in good faith and being democratically accountable to the community.
  13. Governments should create policy frameworks to **ensure that community consultations are broadly inclusive of and genuinely accessible** to all community members.
  14. In addition to national governments' regulations and guidance, national authorities should empower and build the capacity of **local governments, which should generally have a prominent role** in facilitating benefit-sharing arrangements that are mutually beneficial.
  15. Governments should consider various approaches and opportunities to leverage the potential role of **renewable energy auctions** for benefit-sharing purposes. They should provide detailed guidelines for bidders through transparent tenders, evaluation and scoring criteria, and legal structures. The precise approaches should be adapted to governments' administration and monitoring capabilities.
  16. **In the context of benefit-sharing arrangements involving access to electricity:**
    - Governments should ensure that communities and developers understand ahead of consultation whether there are any relevant legal barriers susceptible to frustrating expectations.
    - When licensing a project, governments should **consider whether granting access to electricity for the project-affected community is an issue to be negotiated by the community or by the government**.
    - **Governments should assess whether complementary investments are needed** for the promise of benefit-sharing arrangements to concretize: for example, investment in distribution lines, direct subsidy of power or maintenance work.
  17. **In the context of community benefit funds, governments should consider codifying, ideally in the law, or in investor–state contracts as a stop-gap measure, key principles** to be respected when developers and communities agree on the establishment of a fund. These principles may also be incorporated into the community development agreement. Governments should ensure that communities receive adequate training and support to manage such funds transparently and responsibly.
  18. **To enable shared community ownership**, governments should address the main barriers to its achievement in regulations and institutional mechanisms. Given the risks involved in shared community ownership, **governments should not push developers and communities into this model without ensuring that communities are adequately supported** in their decision to enter into it, and in their ongoing efforts to manage it.

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19. Governments should ensure that renewables projects provide **employment and skills development opportunities**. Achieving this objective may, in some cases, increase the social acceptance of renewables. More importantly, it will contribute to preparing the workforce to seize the opportunities of the energy transition. Governments should only set local employment requirements that are compatible with the local labor market.
- Guidelines and direct government support can encourage the promotion of **job and training opportunities** at each stage of project development, as can partnering with local education and training institutions to develop and encourage **education and skills development opportunities**, including apprenticeships. Governments should decide whether these guidelines should be voluntary or mandatory in light of the need to build skills for the transition.
  - In many countries, ensuring **a fair transition for coal-dependent regions** is imperative for fostering greater social acceptance of renewable energy. Simply attempting to boost renewable energy employment will not be effective unless the coal-sector employment issue is proactively addressed. Policymakers should consider whether benefit-sharing arrangements could be a useful part of that larger effort.
20. **Governments should ensure that renewables projects provide enhanced environmental benefits that farmers and communities can partake in. For example, governments may:**
- Equip themselves with an understanding of where, in their territories, solar plants can facilitate the restoration of ecosystems while improving the fertility of agricultural land eroded by monoculture.
  - Explore the opportunities presented by agrisolar projects to facilitate consultations between the solar industry, smallholder farmers, and landowners, and, on this basis, develop an adequate policy framework that aligns with the agriculture, environmental, energy, and climate policies of the country. If agrisolar projects are seen as an opportunity, a regulatory framework should ensure quality and rights-respecting agrisolar projects and remove unnecessary regulatory barriers.
21. Benefit-sharing arrangements should be designed in a way that considers **what happens when a renewables project reaches the end of its initial lifespan**.



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# A. Community Consultations and Benefit-Sharing Arrangements

**To ramp up the development of renewable energy (“renewables”) projects**, including power generation and grid (transmission and distribution) infrastructure, governments **need a strong and coherent policy approach to addressing the rights, expectations, and perspectives of project-affected communities**. Effective policy frameworks need to address two very different imperatives at the same time. First, they need to create efficient pathways to secure community support for projects to prevent local opposition from slowing them down or derailing them. Second, they need to ensure that community members’ rights are respected and that any negative impact on their rights or livelihoods is mitigated or adequately remedied.

These two imperatives sound similar and often overlap, but they can also stand in tension with one another. In some cases, effective remedies for significant negative impacts may not be enough to overcome local opposition rooted partly in concerns that transcend tangible harms—factors like ideology, expectations of economic gain, aesthetic impacts, and myriad other potential stumbling blocks. In other situations, the easiest path to securing “just enough” local support to clear the path for an important project might not actually address the needs of community members who will bear the brunt of that project’s negative impacts.

In the right circumstances, and if appropriately designed and governed, benefit-sharing arrangements can build a social license to operate in a responsible and rights-respecting way. For this reason, governments may consider developing policies that mandate or encourage community benefit-sharing arrangements. Designing such arrangements well is a complicated task, however, and its cornerstone should be a process of robust, meaningful community consultation.

The following section lays out some key principles around community engagement that effective government policy should advance in the context of benefit sharing. Governments will approach these questions differently and in ways that are appropriately tailored to their own legal systems, regulatory frameworks, culture, and political contexts. The goals their policies should be oriented towards, however, are largely universal.

## 1. Defining the Project-Affected Community or Communities

**It is not always clear which communities should benefit from or be consulted in the design of a benefit-sharing arrangement. Governments should provide specific mandates or guidance in this regard.**

Communities near a renewables project may feel its impacts most acutely, but this is not always the case. Governments should offer specific guidance as to what kinds of impacts should trigger a community’s right to be involved in consultative processes around benefit sharing. It should also indicate whether the simple fact of a community’s proximity to a project should trigger those same rights and establish clear geographical markers for any such policy.

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In general, the best policy approaches are likely to marry a simple and straightforward approach with some capacity to respond flexibly to the context of a project. For example, a government might decide that any community within a certain radius of a new renewables project should be consulted on and ultimately benefit from any benefit-sharing arrangements—along with any communities further away that are likely to suffer concrete negative impacts from the project, like an eventual loss of agricultural land to transmission lines or a significant loss in property values attributable to the project. Governments should ensure that consultations, and the benefit-sharing arrangements themselves, include community members who have legitimate tenure rights that may not be fully recognized under domestic law.<sup>1</sup>

As explained below, governments need to ensure that any harms implicating the rights or livelihoods of a particular community or group of people are mitigated or remedied effectively. In some cases, benefit-sharing arrangements can be designed in a way that speaks to that imperative. In other cases, it may be more effective for governments to address the tangible harms faced by some people through another mechanism, such as direct compensation or changes in the design of a project that can mitigate harm. In that case, the decision about which communities to consult regarding benefit-sharing arrangements is mostly down to what the government sees as necessary to secure a requisite degree of social license.

## 2. Meaningful, Good Faith Engagement

**Governments should encourage, and ideally mandate, a robust element of community consultation in the design of community benefit-sharing arrangements. Governments should also ensure that those consultations are meaningful and in good faith.**

According to the Organization for Economic Co-operation and Development (OECD), meaningful engagement occurs when project developers and stakeholders continually engage in a process of two-way dialogue.<sup>2</sup> Effective community engagement demands a clear and organized procedure that assures participation for all parties, entailing essential stakeholders, explicit guidelines, and set timeframes. Participants should be able to express their views freely and without fear of reprisals. Consultations should offer communities a genuine opportunity to influence decisions about the nature of possible benefit-sharing arrangements. The scope and limitations of that influence should be clearly and transparently defined.<sup>3</sup> It is important to acknowledge that communities' priorities may differ depending on jurisdictional disparities, established frameworks, and resources, underscoring the necessity for tailored approaches.

**Where government officials lead community consultations, robust national-level policies should be in place to shape them. Where project developers carry out community consultations, governments should enact policies that regulate those consultations and include requirements to ensure they are meaningful and in good faith, as well as enforce those requirements.**

**Governments should ensure that consultation is done early enough to maximize the practical space for community influence on the design of benefit-sharing arrangements. Ideally, it should be ongoing throughout the duration of the arrangement to ensure accountability and effectiveness.**

One “gold standard” approach to community engagement sees communities not only consulted but invited to co-design benefit-sharing arrangements. Community co-design can be complicated and time-consuming, especially where significant differences of perspective exist within the community or between a community, project developers, and the government.

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But done well, it can dramatically increase the strength and durability of a project's social license. For example, the Hepburn Wind Project in Australia established a community fund that was designed with local community input; fund managers are required to survey community members every few years regarding what areas the fund should focus on.<sup>4</sup>

**Even where a benefit-sharing arrangement is not co-designed, governments should consider mandating or encouraging a strong community role in managing those arrangements.**

Doing so can build in an important measure of local accountability while also enhancing the arrangement's positive impact on social license.

### 3. Setting Priorities

**Governments should provide clear policy guidance regarding the priorities that should drive community benefit-sharing** arrangements. In some cases, there may be a temptation to use benefit sharing as an easy way to secure community support without addressing the rights and needs of the most directly impacted or most vulnerable people. Not all members of a community will be impacted equally by a renewables project, and the people who bear the brunt of a project's most relevant negative impacts may not be in a position of political strength within their communities. **Governments must ensure that benefit-sharing arrangements are not used as a shortcut to securing social license without addressing a project's most important harmful impacts.**

Government policy can address this imperative in more than one way. The best approach may be a flexible one. Governments can mandate that renewables projects identify and either mitigate or remedy serious adverse impacts, while remaining agnostic as to whether that is done through benefit-sharing arrangements, a separate mechanism, or a combination of both. In some cases, the best approach may be to design a benefit-sharing arrangement that addresses some of these concerns as part of its design—though it will often be impossible for the full range of negative impacts to be addressed through a benefit-sharing arrangement. In other cases, it may be more effective to design a benefit-sharing arrangement primarily around the goal of securing social license, while implementing a separate compensation scheme to address the particular harms suffered by part of a community. Either way, the entire range of interventions should be rooted in robust and meaningful community consultation, as discussed in more detail below.

### 4. Setting Boundaries

**Government policy should set specific parameters and boundaries for what should and should not be addressed through community consultation processes.**

**Governments should establish that community participation in discussions around benefit sharing is distinct from its participation in other processes. Discussions around benefit sharing should not prejudice a community's participation in other vectors of consultation. In particular, a community should not have to sacrifice any legal rights to give or withhold consent to the underlying project in order to participate in discussions about a possible benefit-sharing** arrangement. For instance, the United Kingdom (UK) guidelines on Community Engagement and Benefits from Onshore Wind Developments (hereinafter referred to "UK Guidelines") asserts that "communities have the right to object to a development but are still able to participate in discussions about commercial arrangements to be pursued in the event that planning permission is granted."<sup>5</sup>

**With regard to the nature of benefit-sharing arrangements themselves, governments need to consider how prescriptive or open-ended they want their policies to be.**



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**Some governments may impose frameworks for community benefit-sharing arrangements that require them to adhere to a uniform template.** For example, Denmark's 2008 Promotion of Renewable Energy Act requires developers to give local citizens the opportunity to own a portion of a project by allowing them to buy shares equivalent to at least 20% of the project's value.<sup>6</sup> In such cases, community consultations may usefully relate only to particular, relatively narrow aspects of the arrangement. This approach limits the scope for community involvement, but also yields a process of consultation that is easier to regulate and oversee effectively because it can be carried out more uniformly in connection with different projects. Community consultations in this context relate not to the nature of the benefit sharing, but to raising awareness of and encouraging participation in the arrangement.<sup>7</sup>

**Other governments may leave the nature and governance of community benefit-sharing arrangements largely open to the creativity of parties in any given negotiation.** This kind of open-ended approach enhances a community's ability to tailor outcomes to their context and offers an opportunity to push developers to create deeper ties to and understanding of impacted communities. On the other hand, it also leaves more room for manipulation and abuse, because it is difficult for regulators to effectively oversee community consultations that do not adhere to a common template or pull towards the same outcome.

In this situation, governments should offer specific guidance on how community consultations should proceed. Ideally, guidelines should be binding. The government may, for instance, reference them in feed-in tariff agreements, and require developers to demonstrate compliance with the mandatory guidelines.

If voluntary guidelines are preferred, these should set appropriate guardrails, and the government should actively promote them and raise awareness as to their content. For example, as mentioned above, the UK Government has issued a wide-ranging guidance on good practice on community engagement around off-shore wind farms.<sup>8</sup> While useful as a principles guide, it is very open ended and does not mandate any of the good practice it identifies.

## 5. Consultation, Consent, and Negotiating Power

This paper focuses on the design of community benefit-sharing arrangements and not on the fundamental question of whether a renewables project should go forward at all. In some cases, though, the two questions are inseparable. Under international law, projects that impact an Indigenous People's land, human rights, or resources should not go forward without that People's "Free, Prior and Informed Consent."<sup>9</sup> In these situations, a community's consent regarding the terms of any proposed benefit-sharing arrangement may go hand-in-hand with the question of whether an Indigenous People's representatives will consent to a project at all.

**Outside the context of FPIC rights,** governments need to take a carefully considered approach to defining, through law and regulation, precisely what kind of power and leverage communities should have in decisions about the design of benefit-sharing arrangements. **To swiftly ramp up renewables projects, governments may not want to allow communities to indefinitely hold up projects when agreement on the terms of benefit-sharing arrangements is hard to reach. Equally, however, governments should not leave communities in a position of such little power that consultation risks being pro forma rather than meaningful.** The need to reflect on the approach that will strike the appropriate balance between the respect of community rights and the faster deployment of projects is particularly salient in the context of transmission lines. Depending on their length, consultations with hundreds of communities may be required. For example, Colombia has experienced significant challenges in this regard.<sup>10</sup>

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In general, governments should consider establishing policy mechanisms to provide independent support to communities that might otherwise be at a disadvantage in terms of information, capacity, and legal knowledge relative to project proponents. Generally, communities need some degree of leverage to guarantee that consultations are meaningful.<sup>11</sup> That leverage, however, can take different forms. **Governments may, in some circumstances, require community assent to the terms of benefit-sharing arrangements. But in other cases, governments may simply allow parties to bring the government itself in to mediate disputes with project developers and impose solutions. The viability of the latter approach depends on the governments acting in good faith and being democratically accountable to the community.**

Government should also ensure that communities have access to effective and accessible **grievance mechanisms** that empower them to bring forward any complaints that relate to the operation of community benefit-sharing arrangements.

## 6. Intra-Community Dynamics

Power dynamics within a project-affected community can have a determinative impact on the actual fairness and equity of any community consultation. Consultations framed around a community's own elected representatives or other decision-making structures can have deeper legitimacy. But they can also entrench that community's own inequities, for example, by marginalizing or excluding the voices of women, minority populations, or other marginalized community members or groups, as seen in the Pangué Hydropower Project in Chile.<sup>12</sup>

**Governments should create policy frameworks that ensure community consultations are broadly inclusive and genuinely accessible to all community members.**

## 7. The Role of Local Governments

**Where feasible, local governments should also have a prominent role in guiding or overseeing community consultations, or both.** Several pieces of literature and case studies highlight the critical role of involving local governments in addressing and navigating the key considerations that will enable mutually beneficial benefit-sharing arrangements.

In Germany and the UK, local governments have played a critical role in facilitating partnerships through awareness-raising, technical assistance, finance, and other services.<sup>13</sup> The UK Guidelines specify additional roles such as the “need to be part of (...) consultations” and “helping to identify local needs and priorities and establishing links to existing initiatives and actors.”<sup>14</sup> The latter is particularly important in developing countries and in remote areas where the development needs are deep. Accordingly, community consultations that include local government may help ensure that benefit-sharing arrangements work in synergy with development plans.<sup>15</sup> To further facilitate this synergy, local governments can help communities develop the long-term strategy that underpins the request for benefit sharing, including through capacity building and increased access to expertise. In its 2019 guidance on good practice principles for communities, businesses, local authorities, and others, the Scottish government strongly encourages communities to develop an action plan and seek support from local authorities.<sup>16</sup>

However, **local governments should be both empowered by national authorities and capacitated to play this role.** While this is an acute issue in developing countries, it remains an issue in developed countries too. For example, in its position paper<sup>17</sup> on the EU Directive 2022/0160, the solar industry association Solar Europe calls on EU Member States “to ensure the necessary staffing and skilling of local authorities, commensurate with the expected growth in renewable deployment,” and recommends “better coordination between local and national authorities and better definition and transparency regarding allocation of competences.”

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While local government involvement in consultative processes can be a tremendous asset in helping to shape benefit-sharing arrangements aligned with development priorities, it is not without risk. In some contexts, an active government role may deter community members from participating openly or actively in consultative processes if people generally feel afraid to criticize or contradict the opinions of government officials. This is a particular risk in contexts of authoritarian governments. In other contexts, local government actors may simply be struggling with such limited capacity and competence that they might usefully be sidelined in favor of either national government actors, or alternative community decision-making structures. As with every other facet of community consultation, governments should consider the best role for local governments with reference to contextual factors, and develop appropriate policy guidance that is responsive to those realities.

## B. The Potential Role of Renewable Energy Auctions for Benefit Sharing

Embedding requirements related to benefit sharing in the bidding criteria of renewable energy auctions can serve as a particularly useful tool for governments to ensure that project developers take benefit sharing into account as a core element of the project from its outset. Addressing benefit sharing in auctions can help increase the acceptance of the project by project-affected communities, facilitate the responsible acquisition of land for the project, and meet any community engagement requirements of financing institutions. Integrating benefit-sharing requirements in bidding processes is one good way to eliminate the risk of outcomes that are beneficial from a purely economic standpoint (reaching renewable energy targets at the lowest cost), but which fail to deliver broader sustainable development co-benefits for project-affected communities.<sup>18</sup>

**Governments should consider various approaches and opportunities to leverage the potential role of renewable energy auctions for benefit-sharing purposes, in any case providing detailed guidelines for bidders through transparent tenders, evaluation criteria, scoring, and legal structures:<sup>19</sup>**

- a) As a preliminary step, define the project-affected communities that will be involved in consultations and the ultimate beneficiaries of the benefit-sharing arrangements to provide clarity for government officials as well as developers (as discussed in Section A).

**Governments should consider certain measures within the auction process while calibrating those to the institutional capacity to administer a transparent auction and to monitor its results:**

- b) **Engaging in consultations with project-affected communities as part of the preparation of the auction process by the government authorities.** For example, showing evidence of community engagement is a condition for participation in the Renewable Energy Target Auction (VRET) scheme of the state of Victoria, Australia. The VRET also requires evidence of a social risk analysis, benefit-sharing arrangements, monitoring and evaluation plans, and letters of support.<sup>20</sup>

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- c) **Requiring preliminary environmental, social, human rights, and climate change analyses as a condition to participate in the auction.** The preliminary analysis during the auction phase enables both early community consultation and the consideration of the cost of mitigating project impacts or granting benefit sharing in the bids. To avoid excessive costs for developers and to preserve the competitiveness of the auction, governments should require that these analyses be finalized—and coupled with robust management plans—after the award is granted.
  - d) In **price-only auctions**—in which the government ranks bids based on price only—**listing any mandatory benefit-sharing conditions that the bidder needs to meet to qualify to participate in the auction.** For example, in a price-only auction, the government can require that developers agree to share ownership in the project company with project-affected communities as a condition to participate in the auction.
  - e) In **multi-criteria auctions**—in which the government ranks bids based on price as well as other criteria—**including sustainable development and benefit-sharing criteria**, with detailed and transparent scoring rules. Under South Africa’s Renewable Independent Power Producer Programme (REIPPP),<sup>21</sup> for example, the government awards projects with preferred bidder status based on the bidder’s pledged contributions to socioeconomic development, with a weight of 30% of the score. These contributions should be quantitatively defined and fall within the bounds of the government’s requirement. For example, South Africa’s REIPPP requires project developers to spend 0.7%–1.5% of the total project revenue on socioeconomic development and up to 0.7% on enterprise development; it also requires that 12%–20% of the project’s employees be local community residents.<sup>22</sup>
  - f) Reserving a preferential bonus (by reducing the bid price or increasing the bidder’s remuneration) or volume quota for projects that provide certain benefits. For example, in France, a community participation bonus is paid on top of the auction price to projects that achieve a certain threshold of local financial participation.<sup>23</sup>
  - g) Setting and enforcing penalties for non-compliance with benefit-sharing requirements or conditioning the granting of permits to their successful completion. For example, under South Africa’s REIPPP, projects can be given half a termination point for having below 65% on any economic development obligation. If a power producer received more than nine termination points over 12 months, the government may terminate the power purchase agreement (PPA).<sup>24</sup>

**Governments may also consider certain measures outside the auction process to promote compliance with the requirements in auction processes:<sup>25</sup>**

- h) Collaborating with project-affected communities to develop a process for compliance monitoring and enforcement of the auction requirements during project implementation, including by collecting data on the sustainable development impacts of the benefit-sharing requirements.
- i) Implementing an auction working group for intra-governmental coordination across relevant ministries (energy, environment, labor etc.), the grid operator, and permitting authorities at national, sub-national, and local level, as appropriate. The working group should consider the potential impacts of awarded projects in project-affected communities and provide input in the selection measures within and outside auction processes.

These measures, outside of the auction, can be useful whether or not social considerations are integrated into the auction.

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# C. Key Policy Considerations Across Different Types of Benefit-Sharing Arrangements

The following sections discuss several key considerations and issues in the context of benefit sharing arrangements.

## 1. Access to Electricity

Some benefit-sharing arrangements focus on delivering electricity to project-affected communities. This benefit-sharing arrangement is particularly relevant for areas that do not have access to affordable, safe, and reliable power, and especially off-grid areas. In such contexts, a renewables project will likely raise expectations among nearby communities about their own access to electricity. Those expectations can go unmet, fomenting community opposition to a project, if:

- The grid is extended to the renewable project but not to nearby communities;
- The renewable project is anchored on an industrial project (such as a mine) and only designed or authorized to provide electricity to the industrial project;
- The renewables project is not authorized to provide electricity directly to consumers; or
- The electricity offered from the renewables project is not affordable to the poorest members of project-affected communities.

**Governments should ensure that any relevant legal or other barriers that could limit or frustrate community expectations are known to communities and developers ahead of any community consultations.**

**When licensing the project, governments should also consider whether granting access to electricity to nearby communities is an issue to be negotiated by the community or rather by the government itself.** This point deserves reflection, particularly given the opportunity for a project to contribute to a government's universal electrification objectives. For instance, in Colombia, the Jepirachi wind power project, though developed by the public utility EDM, bypassed the local community to connect to the central grid. Expectedly, it generated some frustrations on the part of the community. Sustainable electrification of the community, a vital development priority, has not happened, despite its proximity to the wind farm.<sup>26</sup>

**Finally, governments should assess whether complementary investments are needed for such benefit-sharing arrangements to concretize: for instance, investment in distribution lines, direct subsidy of power or maintenance work.** For example, the 2008 Renewable Energy Act<sup>27</sup> in the Philippines states that 80% of royalties or government share of renewables projects,



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or both, must be used to subsidize the electricity costs of communities affected by these projects, provided their monthly consumption does not surpass 100 kW. This subsidy may be in the form of rebates, refunds, both, or other options.

## 2. Community Benefit Funds

The contribution of developers to community benefit funds is a widespread arrangement in developing and developed countries alike. Many countries regulate, in one form or another, how such funds should be administered or contributed to. For instance, Germany's 2021 Renewable Energy Act "guarantees communities that allow wind parks to be built a share of the park's income amounting to 0.2 Cent/kWh for 20 years."<sup>28</sup>

In Colombia, a 2019 law established "electric transfers" requirements:<sup>29</sup> solar and wind projects over 10 MW are required to transfer 1% of gross energy sales to the "project area of influence," as defined in the EIA. Within this allocation, 60% should be directed towards Indigenous or Afro-Colombian communities, if they are present in the area, while the remaining 40% should be allocated to municipalities situated within the project's area of influence. This allocation rate is set to increase to 2% once the installed capacity of renewable energy sources, excluding large hydropower, surpasses 20% of the total installed capacity. The Colombian decree also specifies where these funds should be invested, prioritizing the fulfillment of basic needs within local communities. These needs include infrastructure development, the provision of drinking water, and sanitation services, among other projects that ensure quality of life for community members and enhance their well-being.<sup>30</sup>

How specific the guidance regarding community benefit funds is and whether it takes the form of binding regulation will depend on social and political contexts, but literature and case studies reveal several key features that can help ensure a successful set-up for the fund. **As such, governments should consider codifying some or all of these, ideally in the law, or, as a stop-gap measure, in relevant investor–state contracts:**

- The fund should have a clearly defined purpose in line with a meaningful community-led long-term strategy. The government should build in flexibility to revise the purpose in light of evolving community needs.
- The fund should, at a minimum, integrate the community into its governance and management structure or be independently managed and governed by the community through a foundation, a trust, or even a local-level government, depending on the context.
- The community should choose its representatives for the fund management and should include representatives of key vulnerable groups such as women, youth, and people with disabilities.
- The charge bearer of the administration costs should be agreed upon by communities and the developers and clearly stated.
- The developer and the community should agree on rules for the transparent and accountable administration of the funds, which entails the setting up of reporting and auditing mechanisms as well as rules for the allocation of money and transparent project-eligible criteria. The objective should be to safeguard against corruption and maintain the integrity of the fund's management.
- The modalities of the developer's contribution to the fund should be established at the outset. These modalities should cover the formula establishing the regular payments; the start date, end date, and frequency of payments, how inflation will be taken into account, and how disputes will be dealt with.

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## **These principles may also, in turn, feature in a community development agreement.**

These principles are important in developing and developed countries alike. For example, in Denmark's green fund scheme, set up in 2020, the municipalities hosting the project administer the funds paid by project developers. These municipalities are to allocate these funds to projects benefiting the community (such as biodiversity or cultural projects). Community members propose those projects according to an established procedure that each municipality should develop. Typically, the municipalities give priority to projects in "affected neighboring areas"; however, the concept remains ill-defined, and the lack of a common interpretation and creates significant confusion. Moreover, there is still a lack of transparency in the municipal selection of projects, including determining whether individuals who live near a project site can benefit from funding that does not support common interests but only personal interests.<sup>31</sup>

In Chile, Endesa, financially supported by the International Finance Corporation (IFC), developed Pangué Hydro, the first hydropower plant built on the Bio-Bio River, which holds great significance for indigenous Pehuenche communities. The construction of the Pangué dam resulted in the flooding of approximately 450 hectares of land, forcing the displacement of 53 individuals from their ancestral homes. In compensation, the local project company, Pangué SA, established the Pehuen Foundation in 1996 and contributed 0.3% of its net income to fund the foundation.<sup>32</sup> The foundation faced criticism by the communities for allegedly failing to promote long-term development of the Pehuenche community, and instead creating economic dependency. Additionally, the distribution of the foundation's funds primarily favored the most influential and well-off members of the Pehuenche community, who were those actively involved in the foundation's board and decision-making processes. As a result, only around 20% of the community benefited from the foundation's funds, leaving the most vulnerable and furthest away community members without any support.<sup>33</sup>

**The government should consider how to ensure that communities receive adequate training and support to play their part in managing community development funds responsibly and effectively.** The "how" will vary from context to context. It may entail earmarking government funds, deploying civil servants or civil society organizations with a relevant mandate, requiring all developers to contribute to a fund to this effect, or leaving the developer and the community to negotiate a support arrangement. Whatever the manner, the government should have a system in place to verify that communities have the ability to manage the fund for their benefit.

## **3. Shared Community Ownership**

**Shared community ownership can hold great promise as a path to the fair distribution of benefits from renewables projects. It also offers a path to social acceptance because it gives communities a stake in the success and longevity of the project.**<sup>34</sup> For example, in the Aboriginal Clean Energy Partnership in Western Australia, the East Kimberley Clean Energy Project expects to produce renewable ammonia by 2028. It will be equally owned by two local Aboriginal groups (MG Corporation & Balangarra Aboriginal Corporation), the advisory and investment firm Pollination, and the Kimberley Land Council.<sup>35</sup>

Shared community ownership can take many forms. It may, for example, entail any of the following:

- An individual landowner's co-investment in partnership with the developer either for a monetary return, like in Denmark's 2008 Promotion of Renewable Energy Act,<sup>36</sup> or for a discount on their utility bill, such as in Colorado's 2010 Community Solar Gardens Modernization Act (amended in 2019);<sup>37</sup>

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- A community organization's co-investment with the developer, in the form of joint ventures or a right to future revenue streams; or
  - Full community ownership of a portion of a developer's physical assets.

**To enable this benefit-sharing arrangement, governments should address any barriers to its achievement in regulations and institutional mechanisms. Some of the most common such barriers are as follows:**

- Any legal barriers blocking communities from participating in shared or full ownership;
- The absence of legal protection of community rights in their participation in projects;
- The community's difficulty in raising the necessary capital or accessing third-party financing on commercial terms;
- The community's lack of knowledge in negotiating and administering their shared ownership;
- The community's lack of awareness of the risk involved in the undertaking (for instance, the reimbursement of the debt can offset the dividends for a long time, the return can be cyclical, costs can escalate during the construction, project can be delayed, economic and regulatory conditions can negatively affect the investment and maintenance costs might not be anticipated);
- Lack of contract transparency, potentially enabling developers to take advantage of their higher negotiation power and access to information.

These barriers are often particularly acute with regard to the meaningful participation of low-income households in shared-ownership arrangements. Governments should consider what targeted policy interventions are needed to overcome those hurdles.

## Co-Ownership in Fintry, Scotland

The case of Fintry, a rural community in Scotland comprising just over 300 households, illustrates the complexity of community ownership arrangements. The community has been grappling with rural decline caused by limited employment prospects and high living expenses. In response to these challenges, the community organization Fintry Renewable Energy Enterprise (FREE) formed a partnership with Falck Renewables Designs, a constructor and operator of wind farms in France, Italy, and the UK. Their collaborative effort resulted in the construction of a 14-turbine development aiming to alleviate energy poverty, which affected at least half of the community. After consultation with the community, Falck and FREE proposed building an additional turbine that would allow the community to participate in a co-ownership structure.<sup>38</sup>

The community of Fintry, through the Fintry Development Trust (FDT), took ownership of the additional turbine by providing the required capital. To facilitate this arrangement, the developer offered a mortgage-like loan to FDT. The capital cost of the turbine amounted to GBP 2,536,000, with a repayment period spanning 15 years. After thorough consultation, it was decided that instead of owning the individual turbine, FDT's capital investment would be used to acquire a share of the revenue stream, representing 1/15th of the entire development. The income generated from the turbine, minus the loan repayment, flows to the trust. At the time of the arrangement (2014), the trust received an annual income of approximately GBP 50,000 net of the payment of loan and maintenance costs. FDT took

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on the responsibility of obtaining planning permission for the additional turbine, incurring project costs of approximately GBP £15,000, which encompassed legal, financial, and contractual expenses.<sup>39</sup> Funding for these costs was secured through the Lottery's "Awards for All" program<sup>40</sup> and a grant from the Energy Savings Trust; both sources of funds intend to support community organizations and initiatives.<sup>41</sup> The community, in turn, used the fund to deploy a range of energy efficiency programs resulting in substantial energy savings and reducing the cost of living.<sup>42</sup>

Denmark and Germany have regulated and trialed community ownership before any other country in Europe. They have enabled the EU to garner experience to establish an enabling legal framework and support infrastructure allowing community ownership to thrive. For instance, Denmark, England, Scotland, and the Netherlands have put revolving funds in place to provide communities with access to finance for project development costs.<sup>43</sup>

The EU's Renewable Energy Directive 2018/2001,<sup>44</sup> legally binding on member states since 2021, requires member states and developers to respect a body of enforceable rights to ensure that individuals, particularly low-income individuals, are protected in investing in renewables. It includes the right to produce, store, consume, and sell renewable energy, the right to access appropriate remuneration or support for engaging in renewable energy production; protection against discriminatory procedures and charges that could penalize individuals and communities' involvement in renewables projects, and rights to access information and technical assistance to enable participation. While the main goal of the EU's directive is to encourage renewables projects wholly owned by communities, much of the legal framework also enables other forms of shared ownership.

The U.S. states of California, Colorado, and Minnesota require that certain regulated utilities develop shared solar projects while respecting state policies around customer eligibility and how bill credits will be calculated. For instance, as part of its 2010 Community Solar Garden Act, Colorado requires eligible utilities to set aside 5% of shared solar projects for low-income participants and waive their minimum level of participation. When states engage in shared solar policies, the U.S. National Renewable Energies Laboratory (NREL) encourages them to check the legal barriers that come from net metering and virtual net metering policies, the net metering caps, the rules that limit project size and participant class that can obtain bill credits, the interconnection policy, the eligibility criteria for the federal tax credit policy, and the state incentives.<sup>45</sup> Moreover, NREL has developed community-focused guidelines to educate communities on community-ownership related risks, opportunities, and approaches to mitigate risks.<sup>46</sup>

While the model appears more accessible to communities in developed countries, the International Renewable Energy Agency (IRENA) is also encouraging developing country governments to develop adequate policies and guidelines to enable this opportunity.<sup>47</sup>

**Given the risks involved in community ownerships, in particular for low-income ones, governments should not push developers and communities into this model without ensuring that legal barriers are addressed, that community rights to participate in renewables projects are protected, and that communities have access to information, knowledge, assistance, and finance.**

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## 4. Employment and Skills Development

**Governments should ensure that renewables projects provide employment and skills development opportunities. Not only can achieving this objective increase social acceptance for renewables by creating decent job opportunities, it will first and foremost contribute to preparing the workforce to seize the opportunities of the energy transition through education and training, which should be a government objective across all economies.** For example, governments may consider the following approaches:

a) **Imposing employment and skills development requirements on project developers.**

For example, Namibia's qualification and evaluation criteria for bidding processes require that all operations and maintenance activities be performed by Namibians. Bidders who prove their inability to find Namibians with the necessary skills are required to implement a comprehensive capacity-building program to develop local skills within three years from the commercial operation date. Namibia also requires project developers to source all unskilled and semi-skilled labor from communities within a 100 Km radius of the project site.<sup>48</sup>

**Governments should only set local employment requirements that are compatible with the local labor market.** If the local workforce lacks the skills for the project, requiring the use of local labor can unduly increase project costs and limit competition. Where this is the case, governments may instead consider requiring skills development initiatives. For example, Denmark's auction for the Horns Rev 3 offshore wind farm required the hiring of a certain number of trainees in the construction of the wind farm.<sup>49</sup>

Governments should also ensure that any employment and skills development initiatives align with and bolster existing local economies, minimizing the risk of displacing existing subsistence and traditional economies.

b) **Establishing guidelines for project developers on employment and skills development programs.** Guidelines can encourage developers to promote job and training opportunities at each stage of project development as well as to partner with local education and training institutions to develop and encourage education and skills development opportunities, including apprenticeships.<sup>50</sup> **Governments can usefully facilitate and incentivize these partnerships instead of leaving developers and academic institutions to their own devices.**

The guidelines should also encourage long-term opportunities that help avoid economic dependence on the renewables project. For example, the Karadoc Solar Farm (in Victoria, Australia) hired a contractor to develop an employment and training program in the Mildura community, based on three principles: hiring local workforce, providing job opportunities for people facing barriers to employment, and developing young people's skills for careers—not only for careers in the solar industry, but also for broader opportunities within the electric power sector. The contractor worked with a local employment services program to identify candidates. Starting the program as early as possible as partnering with local organizations was key to the program's successes.<sup>51</sup>

Governments should also explore the integration of job creation into existing benefit-sharing arrangements, such as an ownership model. One example is the Orkney communities in Scotland, where the world's first tidal-generated hydrogen project is located.<sup>52</sup> In addition to commissioning their own turbines, they have taken the initiative to operate and maintain their installations independently, with support from Community Energy Scotland (a charity assisting communities in owning their own energy), instead of relying solely on external professional resources.<sup>53</sup>



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Guidelines may also recommend addressing employment and skills development challenges through support and flexibility. For example, project developers can provide transportation to and from the project site for workers who may not have personal vehicles or offer programs to prepare workers in long-term unemployment to reenter the job market.

Government guidelines should communicate the cyclical nature of job opportunities in renewables projects; managing job creation expectations upfront is essential to addressing potential social impacts. Job opportunities are often highest during the peak of construction and may experience a significant decline during the operation phase. To address this concern, the Sarulla Geothermal Power Development Project in Indonesia has taken proactive measures by engaging with village heads and posting announcements on village notice boards regarding the projected workforce required for the power plant construction.<sup>54</sup>

**Governments should decide whether these guidelines should be voluntary or mandatory in light of the need to build skills for the transition.**

**In many countries, ensuring a fair transition of coal-dependent regions is imperative for fostering greater social acceptance of renewable energy.** Simply attempting to boost renewable energy employment will not be effective unless the coal-sector employment issue is proactively addressed. For example, Spain's Just Transition Institute (ITJ), an autonomous governmental entity affiliated with the Ministry for Ecological Transition and Demographic Challenge, has developed Just Transition Agreements (JTAs). These agreements are a co-governance tool to guarantee commitment and coordination by public administrations (national, regional and local) and to propose support instruments to facilitate the reactivation of these areas. Measures have been implemented to enhance the job prospects and safeguard the well-being of the workforce directly impacted by the coal mines closures. These initiatives include offering social support in the form of early retirement or voluntary redundancies packages, establishing employment pools to prioritize the integration of affected workers into the dismantling processes, environmental reclamation projects, and other business activities.<sup>55</sup> Policymakers should consider whether benefit-sharing arrangements can be a useful part of these larger efforts.

## 5. Environmental Stewardship

**Where possible, governments should ensure that renewables projects not only avoid exacerbating environmental degradation and biodiversity risks, but also provide enhanced environmental benefits to communities and farmers.**

**Governments should equip themselves with an understanding of where in their territories solar projects can facilitate the restoration of ecosystems while improving the fertility of agricultural land eroded by monoculture.** Solar panels can protect from excessive sunshine and limit water stress through a shading effect or reduce the risks associated with difficult climatic conditions such as hail and frost. The Solar Park Impacts on Ecosystem Services (SPIES) tool—resulting from collaborative research between Lancaster University, University of York, the solar industry, the farming community, and nature conservation bodies—is a free online resource aiming at informing management actions around solar parks by gathering evidence from near 500 scientific papers of biodiversity and ecosystem service impacts from various management and design decisions on solar parks.<sup>56</sup> Equipped with this understanding, governments can critically scrutinize the feasibility studies and discuss siting and design decisions with developers to optimize the compatibility of the plant with nature.

**Governments should also familiarize themselves with the opportunities presented by agrisolar projects to facilitate consultations between the solar industry, smallholder**

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**farmers, and landowners, and, on this basis, develop an adequate policy framework that aligns with the agriculture, environmental, energy, and climate policies of the country.** One example is the effort that the French Environmental Agency (the Agency for Environment and Energy Management – ADEME) in 2022.<sup>57</sup> **If agrisolar projects are seen as an opportunity, a regulatory framework should ensure quality and rights-respecting agrisolar projects and remove unnecessary regulatory barriers.**

For instance, Solar Europe is suggesting that EU Member States and the solar industry develop a Sustainable Agriculture Concept (SAC) certificate that will distinguish quality agrisolar projects from those that should not be licensed. The main aim of the SAC is to guarantee the solar project “doesn’t conflict with the agricultural land-use, the viability [and continuity] of the agricultural activity.” The SAC should also guarantee that “the [a]grisolar system is fully adapted to the agricultural activity,” that “an appropriate lifetime monitoring of the system performance is prearranged,” that negative socio-environmental impacts are minimized and potential socio-environmental synergies maximized, and “that the project will be economically viable” for both “the agricultural activity and the generation of electricity.”<sup>58</sup>

## D. The Impact of End-of-Life Strategies in Benefit Sharing

**Governments should consider the critical questions around what happens when a renewables project reaches the end of its operational lifespan. Governments may wish to consider three options:**

- a) **Decommissioning** involves removing the infrastructure and rehabilitating its site to the extent possible, aiming at restoring it to its original state and mitigating negative impacts.
- b) **Repowering** entails replacing some or all of the infrastructure with newer, more efficient units, updating the project technologically, and increasing its energy generation potential.
- c) **Extending the lifespan** of the infrastructure through technological improvements allows governments to continue providing the associated benefits to the communities.

**Governments should involve impacted communities and experts early on in planning for and implementing any of these strategies. They should prioritize fostering reliability and affordability of power supply; providing early, comprehensive, and accessible information; engaging in open dialogue with relevant communities throughout the decision-making process; and identifying opportunities for community collaboration and development.**

End-of-life strategies allow governments to make informed decisions about the future of projects and ensure long-term sustainability and stakeholder satisfaction. They also give governments and communities an opportunity to reassess community benefits and adjust them as needed to ensure that they are proportional to the scale of the project and of its impacts. For example, in a case where repowering leads to increased generation capacity and greater project impacts, it may be appropriate to increase the level of community benefits. Governments and communities may also use the end-of-life strategy to consider and implement alternative forms of community benefits.<sup>59</sup>

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This guidance has been prepared in support of the Planning for Climate Commission, a global coalition of government, industry and civil society pushing for fast and fair permitting for renewable energy and green hydrogen projects. Read more and join the coalition at [gh2.org/planning-climate](https://gh2.org/planning-climate)