



Growing pains

A discussion paper on community benefits and energy infrastructure



**citizens
advice**

October 2024

Introduction

The government has set ambitious targets to decarbonise our energy system. We need to meet net zero by 2050, but the goal for clean power will come much sooner in 2030. This means that much more infrastructure will need to be built up and down the country - both the solar and wind farms that generate low carbon electricity, and the pylons and substations that will bring this energy to people's homes and businesses.

As we build towards net zero, more communities, mostly in rural areas, may find themselves living near infrastructure. We have already seen some communities and groups express concern and opposition in response to proposed developments for a range of reasons.

Some believe that an important part of developing infrastructure such as onshore windfarms or transmission lines and pylons is ensuring local communities benefit directly from hosting the infrastructure. This is known as community benefits and typically this takes some form of financial package.

Community benefits can ensure that those hosting infrastructure see direct benefits from doing so and create a lasting legacy for communities. Community benefits can also be deployed to achieve a more just transition, if benefits are targeted towards those who need it most.

However, there are different ways of delivering and funding this, some of which raise questions about fairness, particularly if this results in energy bill increases. There is also a fundamental question:

Do community benefits mean that infrastructure is delivered any faster?



If they do then this could mean more cheap renewable energy powering homes and businesses sooner. This will relieve costly constraints on the system and should help to reduce the wholesale cost of energy bills for all GB consumers.



If not, then community benefits could still be viewed as 'the right thing to do' but come at a cost that does not deliver a net benefit. There is then the important question about how community benefits can be funded fairly.

Executive summary

Our research revealed that stakeholders involved in community benefits, including industry, government, the charity sector, and local groups, are all united in a common goal: to meet net zero.

However, although there are many examples of positive community benefits that have brought value to a region, not one stakeholder believed that the current system represents a fair approach for all three groups: **consumers, communities, and less advantaged consumers**. This presents an opportunity to improve outcomes for all before infrastructure building ramps up to meet the 2030 and 2050 targets.

While community benefits were broadly seen as the 'right thing to do' for communities affected, for generation projects the biggest concern is about how they are delivered.

The challenge for transmission projects, however, is a more fundamental question of fairness about who pays and who benefits.

Recommendations

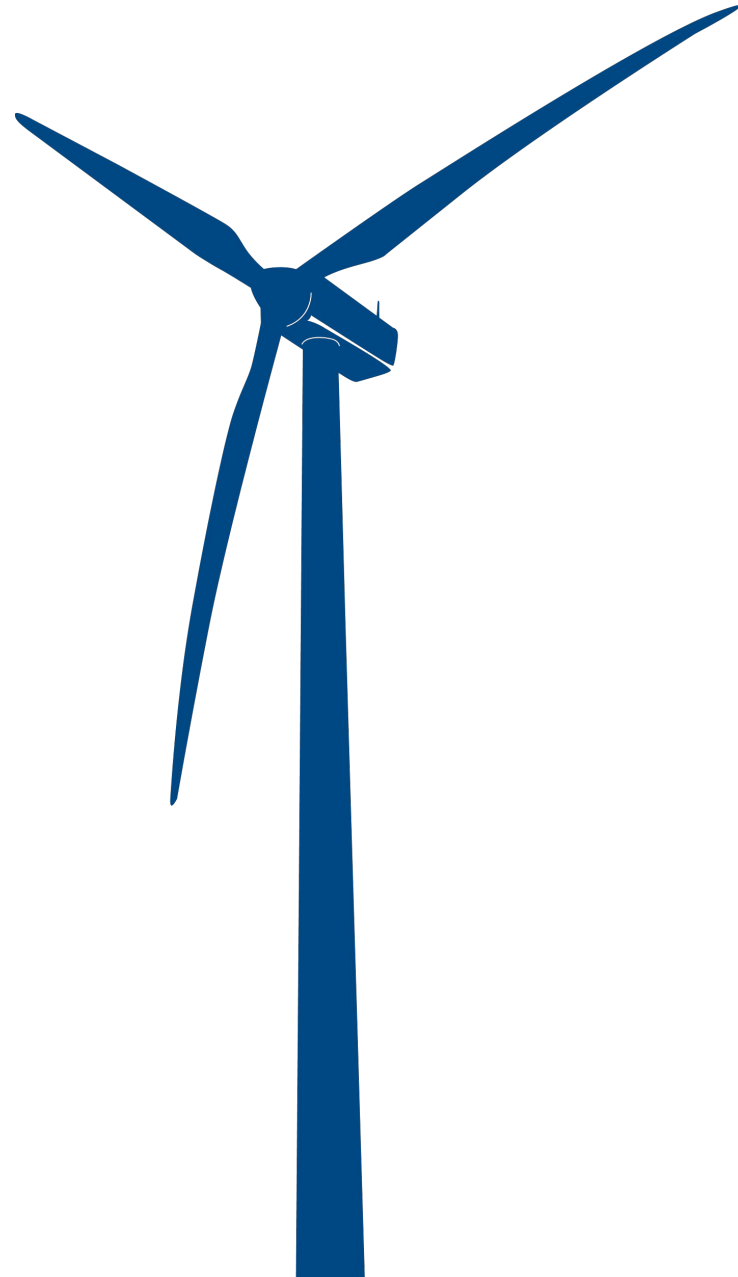
- 1 The use of community benefits for transmission infrastructure should be funded through general taxation as this is fairer.** We believe placing yet more costs on electricity bills is not justified as it is implausible that community benefits will reduce the likelihood of legal challenges sufficiently, and are therefore unlikely to deliver a net benefit to bill payers.
- 2 A blended and flexible approach to the types of community benefits used and how communities are defined will be needed to distribute benefits fairly and equitably.** There is unlikely to be a one-size fits all approach that works across all projects, geographies, and communities.
- 3 Shared ownership should be explored by generation developers,** given its potential for long lasting benefits and ability to engage consumers in net zero. **The UK government should also explore the role GB Energy** could play in widening the potential scope and participation of these schemes.

Our research

Our research aimed to define what a fair approach to community benefits is for:

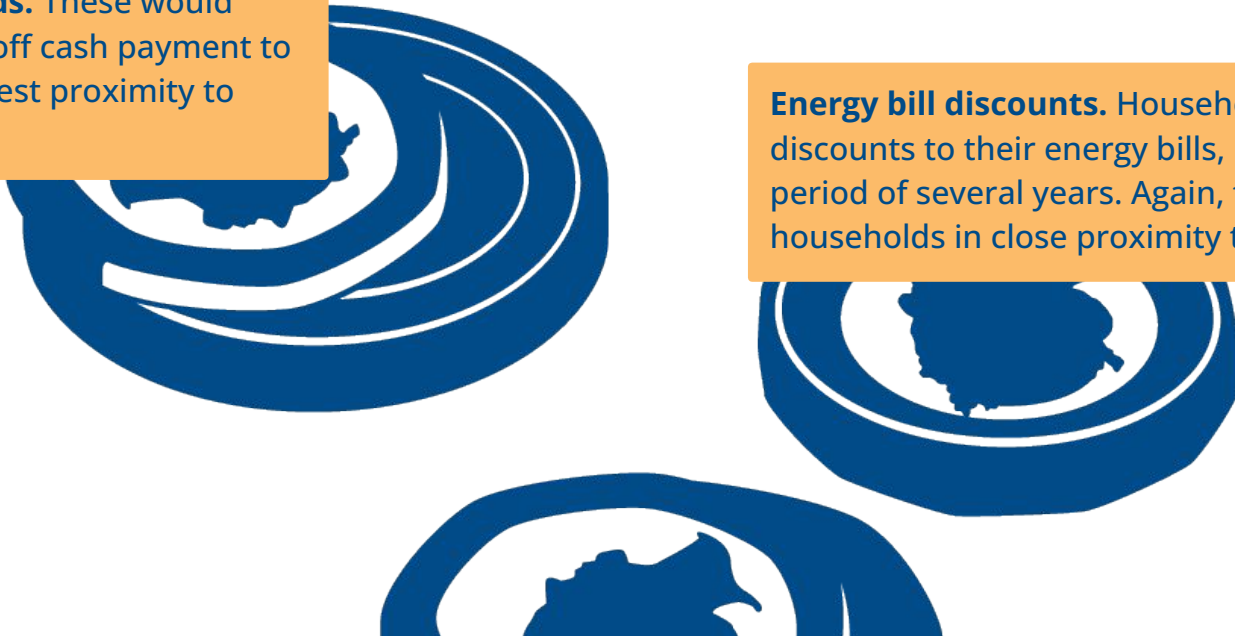
- **consumers**, who will reap the rewards of lower bills from clean electricity, but could foot the bill for community benefits;
- **local communities**, who will be asked to live in close proximity to low carbon infrastructure; and
- **those consumers who may be at greatest risk of being left behind in the net zero transition** and have the most to gain from community benefits, but will be least able to face any additional costs to energy bills.

To form recommendations for a fair system of community benefits that carefully balances trade-offs between groups, we spoke to stakeholders from across industry, national and local government, affected communities, and the third sector.



What are community benefits?

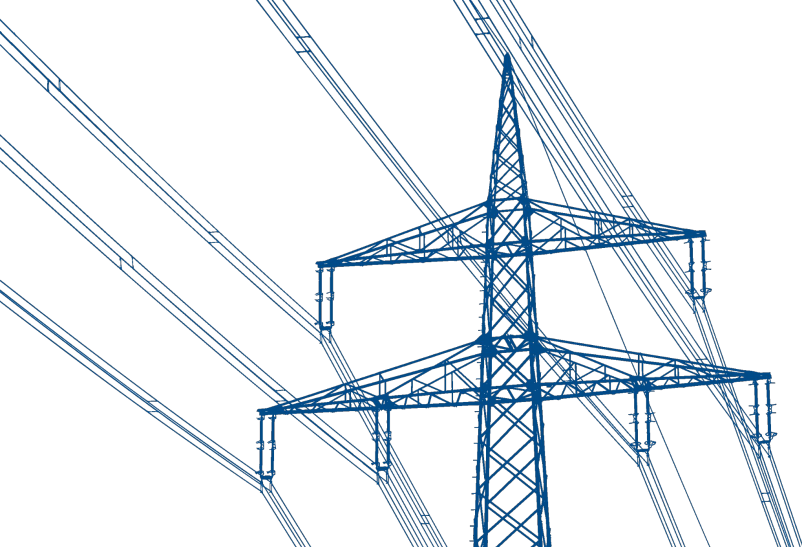
The following are different types of community benefits. Shared ownership is a different form of benefit and is covered later in this paper.



Direct payments to households. These would usually take the form of a one-off cash payment to people usually living in the closest proximity to new infrastructure.

Energy bill discounts. Households can be offered discounts to their energy bills, potentially over a period of several years. Again, this is typically for households in close proximity to infrastructure.

Community funds. A set amount of money would be given to a community for them to spend as they wish. This can be deployed to communities who are nearby and further away from infrastructure.



Community benefits: transmission and generation

Community benefits can be part of both energy generation and transmission infrastructure projects. We have considered both types of projects in our research, though there are key differences in how community benefits work in each.

Transmission

- These projects relate to the transmission of electricity. Using underground cables, overhead lines, pylons, and substations. They link generation sites with the distribution grid, which sends power to homes and businesses.
- Community benefits can be offered by Transmission Operators (National Grid in England and Wales, and Scottish Hydro Electric and Southern Power Energy Networks in Scotland). They are funded by consumers through network costs on energy bills. Total network costs represent approximately 21% of the typical dual fuel energy bill and electricity network costs account for more than half of this (57%).¹
- The previous government recommended that households living in close proximity should receive up to £1,000 annually in energy bill discounts for 10 years. Additionally, they recommend that community funds receive £200,000/km for overhead lines, £40,000/km for underground cables, and £200,000 per substation.²

Generation

- These projects relate to the production of low-carbon energy, including onshore wind and solar farms.
- Community benefits are offered by individual developers who negotiate a package with the local community.
- Benefits are initially funded by developers and incorporated into their project costs. However, developers will naturally expect to recover their project costs from consumers unless funded as part of their corporate social responsibility (CSR).
- Current guidance states communities should receive benefits of £5,000 per MW of installed capacity.³

The case for community benefits

All contributors to our research, from across government, industry and the third sector, favoured offering community benefits to regions where new infrastructure is built. Community benefits are seen by many as an issue of fairness - ensuring that communities can participate in net zero rather than serve as passive hosts to the infrastructure that benefits the entire country.

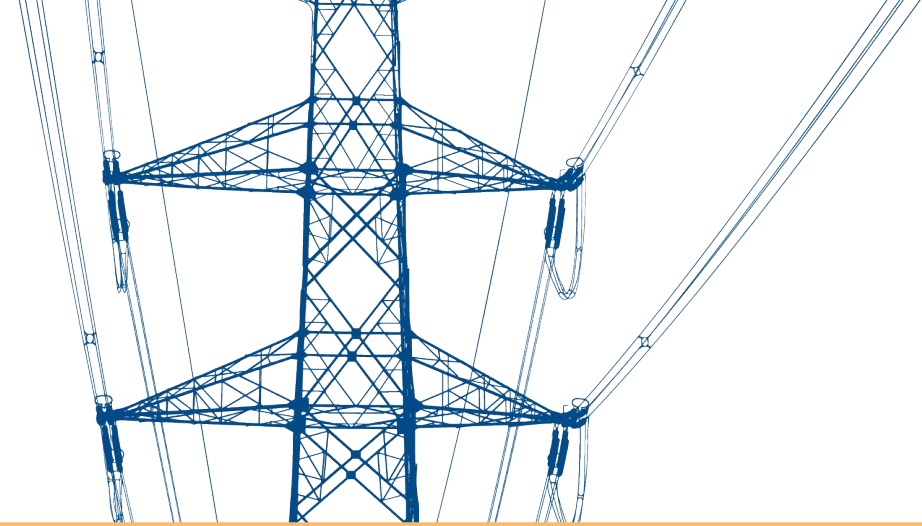
It is also a way to acknowledge the imbalance experienced in some areas between how much generation and infrastructure is hosted compared to how much energy is used.

There is also precedent in other industries for offering community benefits, such as in rail infrastructure.

East Anglia, for example, has seen a lot of development from transmission infrastructure due to offshore wind farms in the North Sea meaning its electricity generation output (5.67GW) is more than four times what it consumes and may be set to increase further to up to 16.1GW of new generation and interconnection possible by 2030.⁴

The HS2 project has two community funds available worth £45 million. These funds are provided by the UK government and administered by a community charity with the objective to *“add benefit over and above committed mitigation and statutory compensation to support communities and local economies...that are demonstrably disrupted by the construction”*.

The Funds have oversight from an independent chair and an independent panel with representatives from the Department for Transport and HS2 Ltd. As of 2023/24, it has supported 288 projects with £16.18million of funding.⁵



The case for transmission

Connecting more sources of renewable energy will be good for consumers. It could lead to a lower wholesale cost of electricity and will reduce the volatility of wholesale electricity prices. This means building the new transmission infrastructure required to deliver this renewable energy is good for consumers in general. It will also help to lower the costs associated with grid constraints.

Our interviewees believed that community benefits can deliver local and regional benefits and are a way to recognise the infrastructure that communities host. However, while community benefits may deliver local benefits, **an important question remains around whether community benefits are good for all consumers at a national level.**

When looking at this issue the previous government “sought to develop options that, if community benefits can lead to avoided delays to delivery of new network infrastructure, would have a neutral or overall bill saving for all electricity bill payers”.⁷

Put simply, **if electricity bill payers fund community benefits, the previous government wanted to ensure options deliver a net benefit to those same consumers.**

We agree that this is the right aim and what this government should also strive to achieve. Placing these costs on electricity bill payers may be justified if it is clear that there will be net benefits to those consumers. **However, we do not believe that any form of community benefits can pass this test when funded through energy bills.**

It is clear that providing community benefits can make developments acceptable to more people. This is backed up by the government’s research which saw **acceptability of new infrastructure projects increase to a maximum level of 78% when energy bill discounts are applied as a form of community benefit.**⁸

The case for transmission: reducing legal challenges?

But in order to avoid delays, increased acceptability is not enough. Instead, **community benefits need to translate into a reduced likelihood of legal challenge**, and therefore delay, **in order to deliver a net benefit to electricity bill payers.**

In the previous government's research, it found that among those who already found new infrastructure unacceptable, **acceptability could only be improved to between 35-43% with direct payments of £10,000, meaning 57-65% still found it unacceptable.** At payment levels of £25,000 this increased acceptability to only a maximum of 56%.

Among the same group, wider benefits funds of £500,000 (over 10 years) improved acceptability to only 44% and it would require funds of £20 million to improve this to 64%. **This means that the highest community payments offered still left over a third (36%) of respondents finding new infrastructure unacceptable.**

Overall around one in ten respondents to the previous government's research said no amount of direct payment or community funding would help them find the transmission infrastructure more acceptable.

Concerns expressed in the research were driven by the visual impacts, however there was a clear role demonstrated for screening of substations and pylons as well as for communication and engagement in the process.

Nevertheless it seems clear that it is likely that community benefits, at any level, will not be enough to guarantee complete acceptability.

The case for transmission: a transfer of value

We also believe it is reasonable to assume that those people who are willing to take legal action to challenge or stop a development are far less likely to be influenced by any community benefits than the general community.

We therefore think there is a flaw in the central assumption made by the previous government when justifying the option of funding community benefits through electricity bills. The assumption was that as acceptability amongst the general community is increased by community benefits, there is an equivalent and proportional reduction in the likelihood of legal challenges which, in turn, reduces the chance of delays.

We do not think this is a safe assumption. **In fact we believe a far safer assumption is that community benefits will have no impact on the likelihood of legal challenge.**

This is supported by our research. While all our respondents were in favour of community benefits as 'the right thing to do' for affected communities, and to mitigate any potential loss of support for decarbonisation, few felt that it would make a material difference to local opposition, which in some regions has already been incredibly vocal.

Taking HS2 as an example, the project has delivered community benefits as intended. However, it has experienced numerous legal challenges.

So, if community benefits do not make a material difference to local opposition and, crucially, legal challenges then they represent **a simple transfer of financial value** from all electricity bill payers to those local communities hosting infrastructure when funded this way.

And this comes with **distributional implications** where the demographic of rural areas includes a higher proportion of those aged over 65 and 'white ethnic groups', as acknowledged in the previous government's response to its consultation.

Analysis of findings by the Resolution Foundation also shows that onshore renewable electricity projects in England are more likely to be planned in wealthier areas of the country. On average 80% of projects submitted for planning approval are located in areas which are in the three least deprived quintiles for the Index of Multiple Deprivation (IMD). By contrast, just 8% of projects, on average, are proposed for locations in the most deprived quintile.⁹

Although this does not translate to how the electricity transmission network will develop, it serves to highlight that the energy system will not develop equally across GB.

At a time of record energy debt and affordability problems for energy consumers, these distributional impacts need to be considered and understood.



The case for transmission: unclear outcomes for consumers

Our research, and government consultation responses, have shown an overwhelming support for community benefits. However, we **do not believe there is clear evidence that they contribute to better outcomes for consumers in general.**

As such we believe **community benefits should not be regressively funded by electricity bill payers but instead paid for through general taxation.**

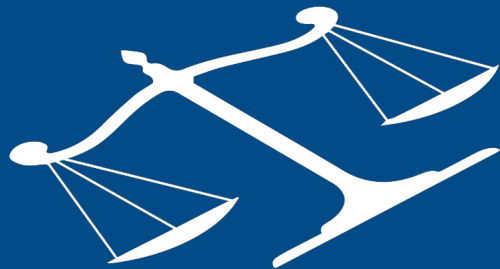
We believe this addresses the issue and risk of undesirable distributional impacts but it is also fairer for energy consumers overall that it is **the government which takes on the risk that community benefits do not prevent delays as intended.**

The 2024 King's Speech promised to accelerate the delivery of key infrastructure, such as energy, through the Planning and Infrastructure Bill. If this is achieved by limiting the ability for plans to be legally challenged then this would further weaken the argument that community benefits funded by electricity bills can provide any net benefits for electricity consumers.

Any policy decision to require community benefits for transmission infrastructure as the 'right thing to do' in this case, should therefore be funded accordingly, via general taxation.

Recommendation

The use of community benefits should be funded through general taxation as this is a fairer way of funding. Placing yet more costs on electricity bills is not justified as we do not think they will lead to any net benefit to bill payers.



The case for generation

The funding of community benefits for generation projects is a **decision for individual developers** and it is a commercial choice by developers whether these are recovered entirely through wholesale costs or if companies themselves contribute or absorb costs, for example as part of corporate social responsibility.

Our research with stakeholders revealed that the main issue of **fairness was considered to be between different recipients of community benefits rather than a trade-off between consumers and local communities**. Our focus is therefore more on delivery than funding.



Delivering community benefits

There are a range of options in delivering community benefits, including both the type of benefit that should be delivered and who should receive them. It will be important to get these choices right in order for schemes to deliver fairness, to deliver lasting legacies as intended, and to deliver a just transition.

Types of community benefits

We consider the following types of community benefits with shared ownership considered separately later.



Direct payments to households - These would usually take the form of a one-off cash payment to households though it could be paid in instalments.



Community funds - A set amount of money is provided to a community for them to spend. Sometimes this can be accompanied by guidance on how funds should be spent but may allow for things like installing solar panels on public buildings or community improvements.



Energy bill discounts - Households can receive energy bill discounts usually at a flat rate for all households, potentially over several years.

What to deliver: generation

When our interviewees were asked which type of community benefits they feel are most important to offer, the vast majority opted for **community funds**. Developers stressed that they are keen to be 'good neighbours' and leave a lasting legacy in the community. Other stakeholders noted that community funds provide the most flexibility, and can be easily tailored to a community's specific needs. **The main issue identified with community funds is resourcing.** Some stakeholders expressed the view that Local Authorities and other groups can struggle to spend the money, particularly in smaller communities.

Payments for individuals or households, whether through direct payments or energy bill discounts, were less popular among stakeholders interviewed. However, many recognised their value, especially for members of local communities who would welcome additional support with rising bills.

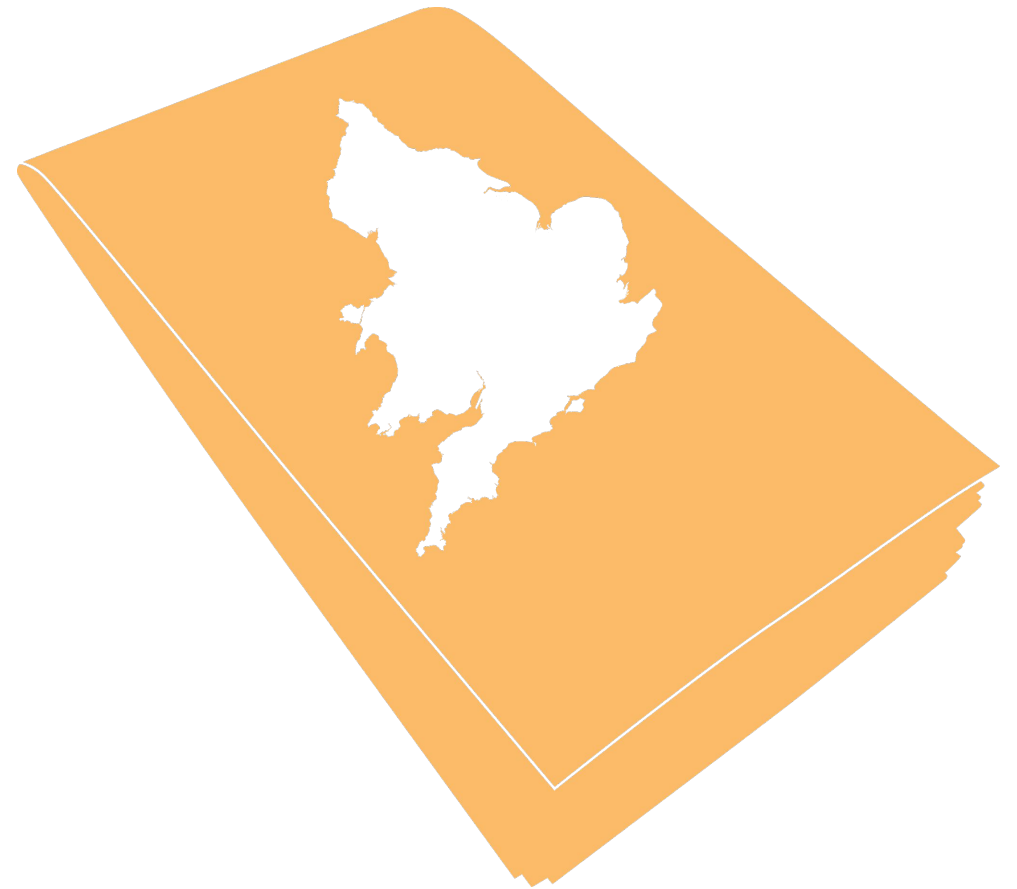
Overall, participants disagreed over which option is best. Some felt that linking benefits to energy infrastructure through lower energy bills is important, though others were concerned that bill discounts could lead to behaviour change and higher energy usage. Some interviewees preferred direct payments as it would give people more control and agency over how they spent their money and may not come with the same risk of increased energy usage.

Some stakeholder respondents also suggested other **alternative forms of community benefits**. For both transmission and generation projects, it was suggested that guidance could stipulate that **local people should make up a certain percentage of the labour in the supply chain to increase the economic benefit of development to an area.** However, there was an acknowledgement that this may only provide short-term work opportunities and there may also be challenges with finding the right skilled labour.

What to deliver: transmission

For transmission infrastructure our respondents also showed a preference for community funds. One noted that offering payments to individuals could create an immediate negative association with the infrastructure, as it is seen as a compensatory sum.

Research from the previous government showed public support for both direct payments and community funds. Most respondents (36%) preferred an even split between the two, though more (30%) believed direct payments should be prioritised than the 23% who wanted community funds to be more prominent.



Who benefits: Defining a community

Another challenge in setting community benefits is defining a 'community' and who exactly should benefit? Our interviews outlined three main options.

Based on proximity to infrastructure

Several respondents felt that giving benefits to the people or groups living closest to new developments, such as the proposals for electricity transmission, recognises its sometimes disruptive impact.

However, some impact (e.g. visual), may not be fully captured in this approach. Proximity is also logical for delivering all three types of community benefits described earlier (direct payments, bill discounts, and community funds).

Based on local authority areas

Some felt that this approach would involve less administration than others, and it could involve and empower Local Authorities to be part of spending community benefits in their individual communities' best interests where community funds are used.

However, for all types of community benefit there is also a risk that it excludes those who live in close proximity but outside the boundary.

Based on areas of most need

Renewable generation, particularly onshore wind, is likely to continue to be concentrated more in certain communities than others. While community benefits which are delivered by proximity or based on local authorities may be appropriate, stakeholders we interviewed were concerned that it could also risk not targeting those who would benefit the most from community benefits and, in particular, lower income households.

It was proposed that there could be merits in expanding the criteria to a wider region to help to distribute benefits more equitably. This could also involve providing direct benefits to households in a more targeted way or sharing community benefits more widely among a greater number of communities.

Stakeholders were also concerned that significant development in certain regions may risk some communities receiving more funding but not necessarily having the appropriate governance to spend it effectively. Again, expanding the criteria to a wider region could make this easier.

Recommendation

There is unlikely to be a one-size fits all approach that works across all projects, geographies and communities.

A blended and flexible approach to the types of community benefits used and how communities are defined will be needed to help to distribute benefits fairly and equitably.

Developers working in partnership with communities will need to consider the balance needed between recognising those who are most affected by developments and the communities and households in a wider region where benefits could be most impactful.




Shared ownership and community energy

Community energy is an important piece of the net zero puzzle. In the UK, community projects accounted for 398MW of total renewable electricity generation capacity in 2023 with generation output increasing by 180% since 2017 to now produce 617GWh.¹⁰

Most community energy projects are devised by communities themselves. However, a shared ownership model involves an initiative led by developers or another party offering communities the chance to buy into a project or receive shares in a project and benefit from it directly. This makes them essentially investors and can offer lasting financial benefits as the development produces energy.

One of GB Energy's key functions is to accelerate local energy projects through the Local Power Plan. The government plans for GB Energy to partner with energy companies, local authorities and community energy groups to develop up to 8GW of small- and medium-scale community energy projects with clean power.¹¹



In Wales, the Welsh Government states that it *"expect[s] all new energy projects in Wales to include at least an element of local ownership, in order to retain wealth within Wales and provide real benefit to communities across Wales."*¹²

Shared ownership

In the case of generation, developers could offer consumers, or community groups acting on behalf of households, the opportunity to buy into the project, or offer shares in the project. There could also be opportunities for GB Energy to provide support or widen the participation or scope of such schemes.

Although transmission operators do not develop generation projects to develop such an offer themselves, there may be opportunities for GB Energy to fill a gap in providing this type of community benefit in relation to transmission infrastructure.

In our interviews we explored whether shared ownership should be considered as an effective piece of the community benefit package, or whether it should sit alongside them. We also asked whether shared ownership results in a fairer system.

Some stakeholders believe that it could be the answer to empowering communities to have more stake, and more benefit, from the renewable generation they host. It is seen as a 'bottom-up' approach that is popular with many local people, and it is seen to help communities to become more knowledgeable about energy whilst building crucial public support for renewables.

However, there are challenges in its application. Many interviewees stressed the administrative burden shared ownership would place on both developers and communities.

Where offers rely on consumers to contribute to shared ownership it could widen inequality within communities as not all households will have the resources, knowledge and funds to be able to take part and benefit from schemes.



Shared ownership

For the benefits of shared ownership to be realised equitably, more support needs to be available to communities to help them access the knowledge and skills needed to engage in a renewable generation project. Financial support is also needed to avoid excluding low income households. One participant suggested developers offering de-risked options to invest, or even free shares as part of a community benefit package.

There could also be a key role for GB Energy's Local Power Plan to play by providing support to community energy projects in partnership with developers.

Recommendation

Shared ownership should be explored by generation developers, given its potential for long lasting benefits and ability to engage consumers in net zero. The UK government should also explore the role GB Energy could play in widening the potential scope and participation in schemes.

References

1. Ofgem, [Energy price cap \(default tariff\) levels](#)
2. DESNZ, [Community benefits for electricity transmission network infrastructure](#), November 2023
3. DESNZ, [Developing Local Partnerships for Onshore Wind in England](#), February 2024
4. ESO, [East Anglia Network Study](#), March 2024
5. Department for Transport, [HS2 Community and Business Funds](#)
6. HS2, [Community and Business Funding](#)
7. DESNZ, [Community Benefits for Electricity Transmission Network Infrastructure: government response](#), November 2023
8. DESNZ, [Community Benefits for Electricity Transmission Network Infrastructure – Social Research Final report](#), March 2024
9. Citizens Advice Analysis of Resolution Foundation analysis of DESNZ renewable energy planning database, ONS LSOA IMD data, 2021 Census data, Resolution Foundation, [Net zeroing in on Investment](#), July 2024
10. Community Energy England, [Community Energy Scotland and Community Energy Wales. Community Energy State of the Sector 2024](#)
11. [Great British Energy Founding Statement - GOV.UK](#)
12. Welsh Government, [Local ownership of energy generation in Wales – benefitting Wales today and for future generations](#), February 2020

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We're a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

Contributors: Alice Williams, TungHing Sum, Jess Collins and Sam Hughes and design by Rhiannon Fuller

citizensadvice.org.uk



© Citizens Advice

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux. Registered charity number 279057.