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Understanding community benefit payments from renewable energy development

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ABSTRACT

It is increasingly common for renewable energy projects to make financial, or in kind, payments to local communities. These arrangements are variously described as 'benefits payments' or 'compensation schemes'. Similar approaches are now being recommended for other forms of development with potential to engender opposition from local communities (e.g. nuclear power and fracking). While such payments are common, the level of payment, the institutional frameworks involved, and the nature of discourse, varies greatly. Existing literature has sought to record, rather than explain, the diversity of arrangements. To a large extent this diversity is rooted in the power dynamic between developer and community. Three UK case studies are used to highlight the diversity of arrangements, meanings, and power balances, within benefits arrangements. Finally, a typology is developed to illustrate the spectrum of potential arrangements. This typology gives insight into why various arrangements emerge in response to their specific contexts.

1. Introduction

It is increasingly common for renewable energy projects to incorporate financial packages that make payments directly, or in kind, to local communities. These packages are separate and additional to any trickledown economic benefits (e.g. employment, local expenditure). In the case of UK onshore wind there are clear expectations that community payments will be put in place. These expectations are now extending to other controversial forms of energy development, notably fracking and new nuclear power builds (BEIS, 2016; DECC, 2013).

In practice, individual benefit arrangements vary from situation to situation, ranging from *ad hoc* gifts to legally binding annual payments. The rhetoric surrounding payments is equally diverse and occasionally contradictory. Central government guidance is at pains to emphasise that these transfers are "benefit payments" and "not compensation" (DECC, 2014). Conversely, local government may be happy to talk about "compensation to the community" (Aberdeenshire Council, 2016). Different language is being used to describe the same thing because the messages are intended for different audiences. Central government is emphasising that there is no legal compulsion, which might be inferred from the word compensation. At the same time, local government is indicating to communities that payments are recompense for "negative impact of the development" (Aberdeenshire Council, 2016).

In reality there are multiple motivations, interpretations, and mechanisms in place. Different economic, legal, and institutional context results in different arrangements. This plurality is the focus of the research presented here, which has four key objectives:

- To establish the root causes of plurality in compensation arrangements
- To understand how these vary between contexts
- To develop an explanatory typology
- To explain the policy implications of this plurality

Policy makers wishing to encourage such benefits payments have a variety of tools at their disposal. These range from light-touch 'guidance and recommendations', to more interventionist statutory requirements. Other alternatives include the extension of property rights to communities. However, one size does not necessarily fit all; selecting effective policy measures, and predicting outcomes, requires a clear understanding of the situation on the ground.

Various authors have studied community benefits arrangements. These can be described as: 'definitional', where a list of alternative benefits arrangements or best practice is described, (e.g. Rudolph et al., 2014; Cowell et al., 2012; Meacham, 2012); or 'discursive' where meanings and motivations are explored (see Aitken, 2010; Cass et al., 2010; Munday et al., 2011; Rennie and Billing, 2015; Walker et al., 2014; Warren and McFadyen, 2010).

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The approach taken here attempts to explain how compensation arrangements have emerged in response to specific contexts. This is achieved by examining three UK case studies, which have been selected to highlight heterogeneity in the arrangements, relationships, and motives underpinning benefit payments.

The following background section explores the language and meaning behind the terms compensation and power (which underpins the subsequent methodology and analysis) followed by a discussion of current issues, and examples, from the literature. Sections 3 and 4 describe the methodology used to analyse the three case studies. Finally, a typology of community benefit arrangements is presented, together with policy considerations.

2. Background

2.1. Compensation or not?

Enter the word compensation into an internet search engine and one is immediately confronted with advertisements for lawyers working in the field of personal injury. The narrative generally involves a less powerful *victim* supported by an *agent* (a lawyer) attempting to extract compensation from a more powerful but *responsible party*. Negotiations take place within a legal framework that establishes both the right to compensation, and the level of payments. Legal institutions also act as witnesses, ratifying any act of compensation and extinguishing any further liability.

Of course, the language of compensation is not exclusive to the highly charged field of personal injury. It can describe almost any payment or remuneration. In the case of energy developments, compensation may be sought for loss of public good. Economists use the term more broadly describing prices as compensation paid in exchange for goods and services. Econometricians describe wages as "compensation of employees" (OECD, 2013).

Even gifts can be described using the language of compensation. The existence or not of a 'pure gift' is a classic debate in anthropology. It has been argued that a gift is always given in the expectation of reciprocity. Consequently a gift is part of an exchange rather than a unilateral act of kindness (see Malinowski, 1922; Mauss, 1970). Even acts which are ostensibly altruistic may provide the giver with reward in the form of utility (Parry, 1986).

In a legal context compensation has a specific meaning; beyond this it can describe any payment or exchange where there is reciprocity. Despite the varying contexts within which compensation (or benefits) payments can take place, some common features exist:

- An **exchange,** often financial, in return for: a good or service; a favour or recognition; the relinquishment of a right; access to resources; or some other reciprocal benefit.
- Two or more **actors** between whom compensatory payments are exchanged.
- Some form of **reflexive discourse**: e.g. direct negotiation; market behaviour or social interaction. This may or may not involve **agency** in the form of lawyers; traders and brokers; community leaders; or other forms of representation.
- An **institutional framework** which establishes the rules of engagement as well as witnessing and recording any exchange. This may take the form of a formal legal system; customary practice; or cultural norms.

2.2. Power

A key factor in any compensation scenario is 'power' and how it influences negotiations and the final settlement. In broad terms 'power' may be described as the ability of one individual to make another submit to their will. Galbraith (1985) identified three forms of power: *condign* (submission through force or punishment); *compensatory* (submission secured by payment); and *conditioned* (submission gained through persuasion). These forms of power are often combined. In the case of renewable energy compensation, *condign* (legal), *conditioned* (social norms), and *compensatory* (financial) powers may exist together. Galbraith argues that, as society advances, there has been a general shift from *condign* towards increasing use of *compensatory* and *conditioned* power. While usefully describing how power is exercised, this tells us little about the origin and nature of power.

Conventionally power has been viewed as something that is possessed and 'wielded' at the will of the individual. Michel Foucault challenged this, arguing that power is dispersed and pervasive; not a 'thing', but rather something that exists in relationships between individuals (Foucault, 1996). In this worldview, individuals are not the recipients, or holders, of power. Instead, interactions between actors are the points where power is enacted, resisted, and created (Mills, 2003). "*Discourse transmits and produces power, it reinforces it, but also undermines and exposes it, renders it fragile and makes it possible to thwart*" (Foucault, 1998, p. 100-1). This challenges the simple Marxist interpretation of power as something inevitably negative, used by the powerful to oppress the powerless; *the repressive hypothesis* (Foucault, 1998). For Foucault, power is seldom evenly distributed and it is never absolute. In the context of neo-liberal economics, power asymmetry is normal, and not necessarily harmful. In markets a net social gain, and arguably fairness, is achieved through equivalence of exchange. Colloquially we talk about a 'fair price' even if it is exchanged between unequal parties (Whyte, 2013).

From Foucault's perspective power is pervasive; it is neither created nor possessed by individuals. Power is unevenly distributed, but it is never absolute. Power exists in discourse between parties and it is in a constant state of flux. This perspective would predict that, in the context of renewable energy compensation, power relations will: (i) be a key determinant of outcomes; (ii) vary between contexts; and (iii) change over time.

2.3. Community benefits: trends and examples

The past few decades have shown that there is a demand for compensation from communities sited close to renewables developments, particularly from onshore sites (Aitken, 2010; Cass et al., 2010). The rise in the philosophy of 'corporate social responsibility' (CSR) provided a part of the drive for benefits payments (Jo and Na, 2012). CSR activities, such as charitable donations to worthy causes, are designed to send positive messages and maintain positive relations with external stakeholders (investors, customers and society at large) (Deng et al., 2013). CSR activity can help reduce longer-term and diffuse forms of risk by helping maintain trust, legitimacy and social acceptability.

Demand for compensation has also been associated with developments that may otherwise be rejected by the local population. Current and proposed renewables infrastructure is routinely sited adjacent to smaller rural communities, commonly associated with continuing economic disadvantage, which renewables developments can contribute to via various externalities (Munday et al., 2011). Social acceptance of renewables infrastructure has been widely researched, and whilst provision of community benefits from renewables could seem unexpected given the general acceptance that greener energy is necessary in this age of climate change, renewables are not without the same opposition as other energy amenities (Wustenhagen et al., 2007; Cowell et al., 2011). Previous thought stipulated the need for community benefits as a way of bypassing widespread NIMBY-ism.[1] However, recent arguments call for the exclusion of the 'NIMBY'

[1] NIMBY (Not In My Back Yard) has been used as a blanket term to describe the conflict between 'general support for wind energy and local opposition to specific developments' (Devine-Wright, 2005).