<u>WHY "SOCIAL (OR COMMUNITY) INVESTMENT" SHOULD REPLACE "COMMUNITY BENEFIT"</u>
<u>(by Philip Maxwell, Chairman, Islay Energy Trust; June 2010)</u>

In the context of mainly land-based wind farms, the term "community benefit" currently refers to some form of cash payment by a developer to a community organisation. For the future, and with the advent of wave, tidal and offshore wind, the term has several drawbacks:

- Within communities, *benefits* can imply hand-outs, pay-offs, buy-outs, etc., are often seen as inadequate and fail to recognise the non-cash benefits which often accrue. Indeed, a report for the DTI* states, "Questions have been raised as to whether the communities which host these impacts are participating sufficiently in the benefits of developments……"
- For developers, it is seen as a cost to be minimised, which is unlikely to be aligned with the community's interests, as well as a key performance indicator in corporate social performance (CSR) reporting, which may or may not be the case in reality.
- Negotiating community benefit is often an "us and them" process, more confrontational than cooperative, where the advantages of information and resources lie with developers.
- For consenting authorities, a developer's undertaking to pay community benefit may be used as the only indicator of satisfactory community consultation and that local views have been taken into account. In reality, neither outcome is necessarily true.

Whilst not all community benefit agreements have these negative connotations, the term is nevertheless in danger of becoming devalued because of lack of alignment, differing interpretations and inherent contradictions. Illusions abound about both the social performance of developers and the quality of consultation, and communities are often unable to understand or appreciate the nature or value of the payments involved. Its meaning is becoming tarnished, and its application results in sub-optimal outcomes for the overall social and economic sustainability of communities.

If we take sustainability of communities as a starting point, and assume that the preference of most corporations and communities is for a partnership approach (enlightened self interest in both cases), the term social (or community?) investment reaches beyond the limitations of community benefit, reflects an integrated, potentially synergistic approach and has positive, long-term connotations.

In this context, *investment* means expenditure of financial and social capital, requiring future yields of financial and social dividends. As well as corporate investment, communities also invest with local services provision, cultural heritage, way of life, their "commons" (e.g. island communities have a sense of "ownership" of the sea) etc. Dividends for corporations are measured mainly in cash, but for communities, as well as cash, they may come in the form of more jobs and training, improved infrastructure, transport and health service provision, new business opportunities, etc. *Social investment* agreements are best developed in a cooperative forum where genuine collaboration between corporate developers, communities and consenting authorities can:

- Generate optimal solutions to socio- economic issues and improve community sustainability
- Add value to project development activities (lower development costs, easier financing, etc.)
- Facilitate the consent and leasing processes.

**Delivering Community Benefits from Wind Energy Development: A Toolkit,* report for the Renewables Advisory Board and the DTI, May 2007