Department of Planning and Environment

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Draft Benefit Sharing Guideline

Guidance for state significant renewable energy development

November 2023

Acknowledgement of Country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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1 Introduction

Four of five coal-fired power stations in NSW will come to their scheduled end of life in the next 15 years. This means an increasing supply of renewable energy generation, particularly solar and wind power, will be required to transition the electricity sector and meet renewable energy targets, most of which will be in regional NSW. Transitioning to these energy sources will also support the objective to achieve net zero greenhouse gas emissions by 2050 under NSW's Net Zero Plan, while also creating new jobs, reducing household costs and attracting investment to NSW.

The NSW Electricity Infrastructure Roadmap sets out a 20-year plan to deliver this generation infrastructure, as well as the storage, firming and transmission infrastructure required to ensure NSW has continued access to cheap, clean and reliable energy.

As part of the Roadmap, the NSW Government will deliver at least 5 renewable energy zones (REZs) in the Central-West Orana, New England, South-West, Hunter Central Coast and Illawarra regions of NSW. REZs are modern-day power stations and combine renewable energy generation such as wind and solar, storage such as batteries, and network infrastructure such as high-voltage poles and wires in dedicated areas in NSW.

The implementation of the Roadmap, and the transition to renewable energy, brings new opportunities and challenges for NSW. Large-scale renewable energy development provides significant benefits for the State as a whole including reduced reliance on fossil fuels, reduced air quality emissions, and ensuring a secure and affordable power supply. It also provides a range of direct and indirect benefits for host communities including:

- construction jobs (around 6,300) and ongoing operational jobs (around 2,800)[1]
- lease payments to landholders and farmers that help diversify income streams and protect against the financial impacts of drought and natural hazards
- payments to neighbours on land adjoining renewable energy infrastructure
- boosts to services and hospitality industries that service the new workforce
- business for local companies and contractors
- local consumer benefits from low-cost energy.

While communities benefit from employment and investment, they also experience the most pressure and changes from the renewable energy transition, including impacts from individual projects, as well as broader changes to the local landscape and community that may be difficult to foresee and plan for.

The assessment process under the *Environmental Planning and Assessment Act 1979* (EP&A Act) ensures that impacts are minimised and appropriately managed. The energy transition is also supported by strategic planning in REZs to manage the roll-out of the necessary energy generation, storage and transmission infrastructure. Even with these measures in place, however, the on-ground effects of the State's energy transition will be predominantly felt in regional areas.

[1] Estimated employment figures from *NSW Electricity Infrastructure Roadmap Detailed Report* (DPIE, 2020)

Key benefits of renewable energy projects are also often strategic in nature, with limited connection to local community enhancement. Broader benefits (such as decarbonisation) are shared across the State and are not directly realised by the communities where the development is undertaken. In addition, local revenue mechanisms that raise funds from new development typically have limited application to renewable energy projects.

These aspects of renewable energy development mean that host communities may not necessarily experience a proportionate level of benefits from the uptake of renewable energy, unless there are specific efforts made to share the proceeds of renewable energy projects within the local area.

There is a growing practice in Australia and internationally of developing community benefit sharing initiatives for renewable energy projects. These initiatives are generally designed to bolster the positive social and economic outcomes from projects, so that host communities who experience the most change can more directly benefit from these projects.

This guideline provides advice on how community benefit sharing can be incorporated into the consideration and delivery of large-scale renewable energy development and outlines:

- a benefit sharing policy approach, objectives and implementation strategy
- benefit sharing mechanisms that operate at neighbourhood, local and regional levels
- a proposed model, including guidance on the expected total value of benefit sharing for individual projects.

This approach encourages the inclusion of benefit sharing in the preparation and delivery of large-scale renewable energy development. It will help local communities be more resilient to change and will deliver estimated benefits of up to $413 million to host communities over a 25-year period (in present value terms)[1] (see Figure 1).

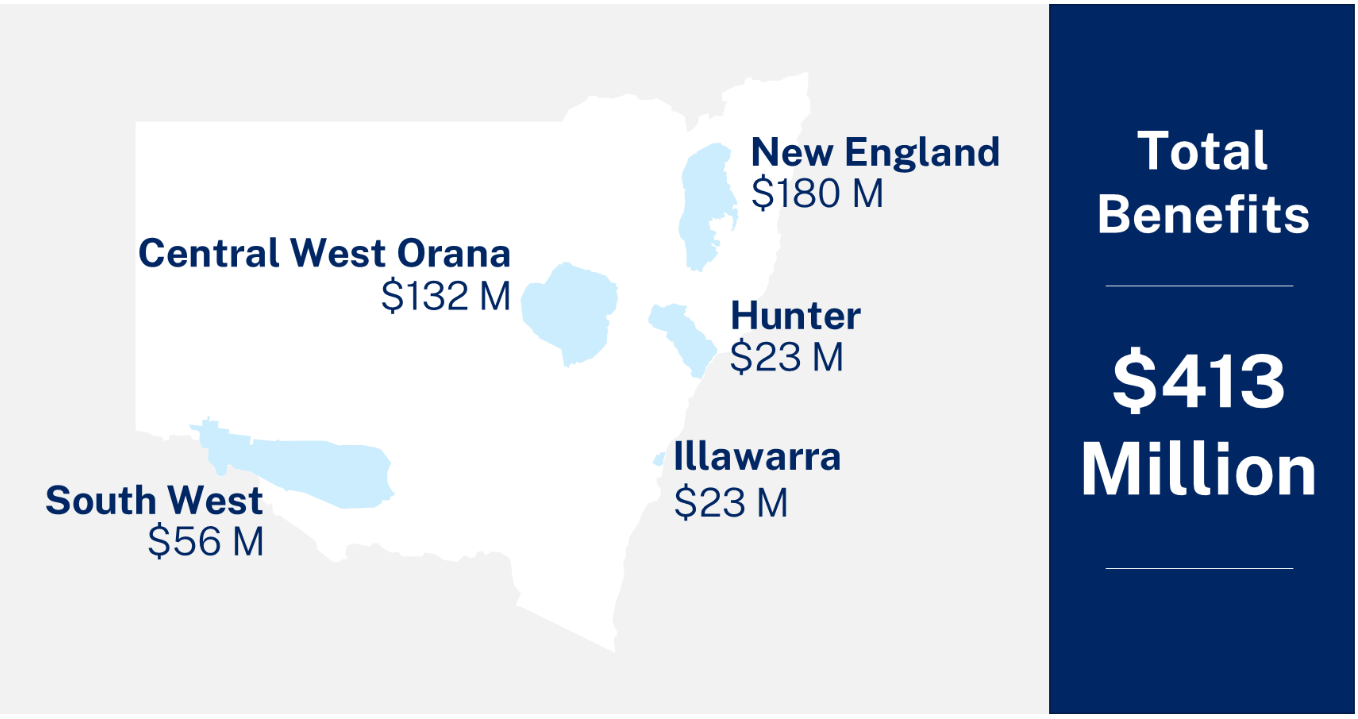

Figure 1 - Estimated benefits[2]

[2] Based on known or declared capacities for each REZ and assuming 25 years of energy generation.

The policy will ensure that communities located both inside and outside REZs benefit from renewable energy development in their regions and that the benefits will be proportionate to the amount and scale of development.

1.1 Purpose of the guideline

The purpose of this guideline is to:

- provide advice to applicants, councils and the broader public on the importance of community benefit sharing in relation to large-scale renewable energy generation in NSW
- outline how benefit sharing should be incorporated into the preparation and assessment of State significant development (SSD) applications for solar and wind energy development
- encourage coordination of benefit sharing programs or schemes, and
- support the rapid roll-out of solar and wind energy generation in NSW, including in REZs, whilst ensuring that host communities experience tangible, long-term benefits from the transition to renewable energy.

1.2 Application of the guideline

This guideline applies to solar and wind energy generation projects (large-scale renewable energy projects or proposals) that are declared to be State significant development (SSD).

Applicants for large-scale renewable energy projects will need to consider the guideline where it is referenced in the Secretary's environmental assessment requirements (SEARs) and prepare the project's environmental impact statement (EIS) in accordance with any requirements set out in the guideline. The guideline will also apply where SEARs have already been issued if the project's EIS has not been submitted within 6 months from the date of publication of the guideline.

The guideline should also be considered when preparing and assessing applications to modify an SSD consent for large-scale renewable energy projects in instances where a modification seeks to increase the generating capacity of a project.

The guideline applies to all solar and wind energy generation projects, whether they are located within or outside a declared REZ.

1.3 Relationship to other guidelines

This guideline is part of the Energy Policy Framework and should be read in conjunction with other documents (where relevant), including the:

- *Large-scale Solar Energy Guideline* (2022), and
- *Draft Wind Energy Guideline* (2023).

The advice in this guideline will replace information on benefit sharing in the *Large-scale Solar Energy Guideline*.

2 Benefit sharing for renewable energy

2.1 What is benefit sharing?

Benefit sharing is a term used to describe different approaches and mechanisms that aim to distribute the financial and other benefits of a project between the applicant and the impacted community through mutually agreed opportunities.

In the context of large-scale renewable energy projects, arrangements with landholders, councils and local communities provide opportunities for community members to directly share in the benefits from the location of the project and for the applicant to enhance social licence for its project.

Specific benefit sharing initiatives offer a means of enhancing benefits for the people in the vicinity of, and most affected by, renewable energy development. This includes neighbours that may be affected by projects nearby, as well as members of the broader local community that host the development.

Benefit sharing initiatives can also help to mitigate broader intangible impacts of projects that may be otherwise difficult to avoid or minimise, by delivering positive social and economic outcomes for affected communities.

It is important to note however that benefit sharing is not intended as a means of managing or mitigating impacts on individual properties or landholders.

If the consent authority finds that a development would have significant impacts, it will ensure appropriate action is taken to deal with these issues, such as requiring amendments to the project design or requiring mitigation measures to be included in consent conditions.

While private agreements between applicants and landholders to host project infrastructure or to manage and mitigate significant impacts from projects provide benefits to individual landowners, they are not considered to be forms of benefit sharing.

Section 3 of this guideline outlines different benefit sharing mechanisms and initiatives (including examples of programs or schemes) that can operate at different levels or spatial scales from neighbourhoods to local communities to the broader regional area.

2.2 Why benefit sharing is important for renewable energy

Benefit-sharing initiatives can offer a clear and transparent way of demonstrating how renewable energy developments contribute to and benefit host communities and can assist in building community support.

There are 3 key reasons that make benefit sharing particularly relevant to the consideration and assessment of large-scale renewable energy proposals and warrant a unique approach.

Firstly, society as a whole benefits from the growth of the renewable energy sector, however, the impacts of development are not evenly distributed. Regional communities experience the most pressure and changes, including impacts from individual projects, as well as broader changes to the local landscape and community that may be difficult to foresee and plan for in advance.

Secondly, other forms of development are commonly accompanied by financial contributions to local communities, however standard methods of collecting revenue from new development are not always suitable for renewable energy projects or have limited application.

Renewable energy projects generally have limited impacts on local infrastructure and services, therefore limiting scope for collecting infrastructure contributions under section 7.11 or 7.12 of the EP&A Act. Where there are such impacts, these matters will be addressed through the assessment process and conditions of consent (e.g. requiring the applicant to upgrade roads where necessary prior to the commencement of construction).

The local government rating system does not recognise improvements to properties (in the form of solar and wind development) and rates levied from rural zoned land may not reflect the higher-value use of the land for energy generation purposes. Special rates are levied for mining in rural areas, however, these do not apply to renewable energy generation.

Finally, in contrast to other types of industrial development, renewable energy often generates lower levels of ongoing employment. Regional communities may experience the industrialisation of rural areas without seeing the long-term benefits of increased local economic activity and improved public and commercial services that often accompany high employment-generating development and related urbanisation.

Benefit sharing initiatives from solar and wind energy generation provide a practical and transparent method of addressing these concerns. They can ensure that affected local communities receive direct social and economic benefits from projects in their area.

The application of this Guideline is limited to solar and wind energy generation projects. The Guideline does not apply to other types of renewable energy (such as hydrogen or pumped-hydro) or to stand-alone battery storage or electricity transmission infrastructure.

In contrast to solar and wind energy, hydrogen power and pumped-hydro are secondary energy projects (similar to batteries) in that they utilise energy from a primary source (such as solar and wind) to either generate a new form of energy (as in the case of hydrogen) or to store power for use at a later time (as in the case of pumped-hydro).

In this sense, benefit sharing will already have been a consideration in the production of the source electricity (be it from wind or solar) that is then used in hydrogen production or for pumped-hydro operations.

Hydrogen generation and stand-alone large-scale battery developments are also more likely to be co-located with other energy and industrial developments (typically in industrial areas or brownfield sites) and would be subject to standard Council rates and contributions based on land use zoning and any relevant impacts on local infrastructure and services.

3 Policy for benefit sharing

This guideline sets out a policy in order to incorporate benefit sharing into the preparation and assessment of large-scale renewable energy projects.

The policy consists of the following components:

1. Policy principles – the key considerations for designing, establishing and managing benefit sharing initiatives
2. Mechanisms – the distribution, implementation and administration of benefit sharing initiatives
3. Implementation actions – how the policy should be implemented through the development assessment process, and
4. Review mechanism – triggers for reviewing the policy in the future.

These components are explained below.

3.1 Policy Principles

The principles in Figure 2 will be applied to the consideration of benefit sharing in the assessment of large-scale renewable energy projects. This includes in the consideration of the proposed design, establishment and management of specific community benefit sharing initiatives.

3.2 Mechanisms for sharing benefits

The following section provides advice on how different benefit sharing initiatives can be used to distribute the proceeds of renewable energy projects to neighbours, local communities and regional communities in the area of a proposed development. The benefit sharing mechanisms generally differ in:

- proximity of beneficiaries to the proposed renewable energy development and its effects
- scale of benefits distributed (i.e. financial value and number of recipients/benefactors)
- administrative mechanisms used to distribute the proceeds of a project (i.e., who receives or administers funding; how program funds are managed and expended).

The different mechanisms are explained below.

Neighbourhood benefits

The first level of benefit sharing is identified as the 'neighbourhood' level, which includes local community members and small neighbourhoods in the direct vicinity of the proposed development.

Due to their close proximity to the development site, neighbours are more likely to be aware of and experience the effects of nearby renewable energy development more acutely.

1. Benefit sharing is standard

Benefit sharing is incorporated as standard practice in the preparation and delivery of renewable energy projects, with renewable energy applicants offering a fair and accepted rate of benefit to host communities.

2. Benefit sharing is collaborative

Benefit sharing initiatives are designed in partnership with councils. Opportunities to centralise administration and collaborate with other renewable energy projects should be prioritised to help leverage funds to further enhance community benefits.

3. Benefit sharing is transparent

Information on benefit sharing initiatives is made publicly available, including clear details on the administration and distribution of proceeds.

4. Benefit sharing is community focused

Benefit sharing initiatives are informed by consultation with the community or community representatives, tailored to the local context and communities' needs, and are designed to produce outcomes that align with the general values and priorities of the public.

5. Benefit sharing is proportionate

The value and extent of community benefits provided reflect the scale of the renewable energy project and the level of change experienced by the community, with benefits delivered over the life of the project.

6. Benefit sharing delivers a net-positive outcome

Benefit sharing initiatives provide a positive, lasting and meaningful impact for the local community, contributing to tangible and long-term social and economic outcomes.

Figure 2 – Policy principles

Renewable energy applicants are encouraged to explore options for benefit sharing with the immediately affected community. Examples of neighbourhood benefits may include:

- minor capital works and improvements (e.g. providing roof top solar to residences, neighbourhood improvements such as streetscape vegetation, landscaping and playgrounds)
- providing funding or works for neighbourhood community facilities (e.g. solar photovoltaic facilities)
- sponsorship of local community events, groups or clubs
- establishment of various local community programs (see also local community benefits below)
- offering neighbours subsidies (such as energy discounts or free connections) or investment/co-ownership opportunities.

It is important to note however that benefit sharing is not intended as a means of managing or mitigating impacts on individual landowners. For example, private agreements can be negotiated between applicants and individual landowners to provide vegetation screening to mitigate high visual impacts from a project. Initiatives or measures needed or required to manage or mitigate the project's impacts to obtain approval are not considered to be benefit sharing initiatives.

Depending on the benefits to be provided, neighbour benefit sharing programs may form part of a broader local community benefit program that is centrally administered and distributed (see below) or may be negotiated directly between the applicant and individuals (e.g. through a contract or other agreement specifically related to the benefit sharing program).

Details of any proposed neighbour benefit sharing arrangements should be outlined in the EIS for the project.

Local community benefits

Benefit sharing at the local community level applies more broadly and typically within the local government area hosting the project. The scale of local community benefits will also generally be greater in both financial value and the number of potential recipients or benefactors.

Given the broader application of local community benefit programs, the Department recommends that these programs be centrally administered and distributed through the council of the relevant local government area. Alternatively, these programs could be administered by the applicant in partnership with an established community organisation or institution (if appropriate and relevant to the type of program on offer), or other applicants in the local government area.

Irrespective of how the programs are administered, the benefit sharing program must be designed in line with the policy principles set out in Section 3.1 of this Guideline.

Council-managed initiatives

Council-managed benefit arrangements can provide opportunities to consolidate funds from multiple renewable energy projects and gives councils the ability to deliver bigger community projects or services than would otherwise be possible if funds were directly managed by individual applicants.

For council-managed initiatives, the Department recommends using a planning agreement mechanism to establish a community benefit fund[3]. The policy principles should be applied to the establishment and administration of the fund, and when dedicating and distributing proceeds within the fund.

Planning agreements should include a provision requiring the planning agreement to be reviewed and renegotiated in the event of any changes to the local government rating system that would materially affect rates payable for renewable energy development.

Details of any council-managed benefit sharing arrangements (such as a community benefit fund) are to be made publicly available, including reporting on funds collected and expended. This reporting should include a public register that identifies:

- the amount and source of funding including the renewable energy applicant and related renewable energy project
- each initiative that has been funded and how it meets or contributes to relevant policy principles
- the consultation that was undertaken to identify and develop each initiative
- the cost and delivery timeframe of each initiative.

Note. Registration, notification and public access requirements may also apply where initiatives are established through a planning agreement (see Department's Practice Note on Planning Agreements (February 2021, or latest version). The general planning agreement requirements can be used to satisfy the requirements of this guideline.

Examples of expenditure that might be suitable under a council-managed community benefit fund include:

- recurrent costs of infrastructure, services or facilities
- additional or improved open spaces, public facilities or infrastructure including upgrades to local parks, libraries, community centres, showgrounds, museums, transport infrastructure
- providing funding or works for neighbourhood community facilities (e.g. solar panels)
- initiatives delivered in partnership with other local organisations including scholarship programs to enable local students to complete courses in specific fields (i.e. engineering, project management)
- sponsorship of community events such as fundraising events, local produce markets, nature walks, community clean-up events, gardening days
- sponsorship of local groups such as sporting clubs, biodiversity volunteering groups and community gardens.

Other community initiatives

The types of community benefit initiatives listed above could also be established directly in partnership with the applicant and community organisations or institutions, rather than via a council-managed fund. For instance, initiatives such as scholarship programs and training courses

[3] Benefit sharing initiatives administered through a planning agreement must be prepared in accordance with the Department's *Practice Note on Planning Agreements* (February 2021, or latest version).

could be offered by the applicant and managed by a relevant educational establishment or other organisation. Similarly, the applicant could offer sponsorships, capital works and other benefits directly to a recipient organisation or community group.

It is also open to applicants to directly manage their own community benefit initiatives and invite the broader community to participate. Applicants are encouraged to explore a range of benefit sharing options and to offer local communities different opportunities to benefit from the proceeds of the project.

The examples of neighbourhood benefits could equally operate at a broader community level. For instance, applicants could consider providing direct community support through capital works, sponsorships, in-kind assistance, energy subsidies or investment/co-ownership opportunities.

Further examples of benefit-sharing initiatives and ways to design these programs are outlined in the Clean Energy Council's A Guide to Benefit Sharing Options for Renewable Energy Projects.

Regional benefits

EnergyCo is coordinating regional scale mechanisms to share benefits from renewable energy projects across local government areas within REZs. Through the collection of network infrastructure access fees in REZs, renewable energy projects will contribute millions of dollars in funding for community benefit sharing and employment purposes [4].

While these regional initiatives are an important component of benefit sharing for renewable energy projects, their consideration and accounting will be managed separately to the planning assessment process for individual projects.

3.3 Implementing the policy

The benefit sharing policy will be implemented through the assessment process under the EP&A Act for large-scale renewable energy projects, as outlined below.

The following information outlines what applicants of large-scale renewable energy projects should do when preparing SSD applications and what the consent authority will consider when assessing those applications.

Applicant considerations

Applicants of large-scale renewable energy projects are required to:

- engage with the relevant council, local communities, and neighbours in the vicinity of the proposed development, to consider options for distributing and sharing the proceeds of projects at different levels
- develop a proposed model for community benefit sharing (including neighbourhood and local community benefits) that is consistent with the policy principles set out in Section 3.1 of this Guideline

[4] See *Electricity Infrastructure Investment Act 2020* (ss. 24-26) and the *Electricity Infrastructure Investment Regulation 2021* (Part 10) for definitions and details on REZ access schemes.

- outline the project's proposed model for community benefit sharing and the expected total value (financial amount or equivalent) of community benefits (calculated in accordance with Section 4 of this guideline) in the EIS for the project, and
- implement or otherwise give effect to any benefit sharing initiatives or other benefit sharing requirements as required by any conditions of consent.

Consent Authority Considerations

When assessing the merits of large-scale renewable energy projects, the consent authority will:

- have regard to the relative benefits of the project, including the applicant's proposed model for community benefit sharing; and
- determine whether any conditions of consent may be appropriate to ensure the applicant's proposed community benefit sharing initiatives will be implemented.

3.4 Review of benefit sharing approach

The benefit sharing approach outlined in this guideline has been developed in part to account for current planning and land use revenue settings, including infrastructure contributions and the local government land rating system.

The policy approach (including the recommended benefit sharing rate outlined in Section 4) will be reviewed if changes are made to infrastructure contributions or the local government land rating system that materially affect renewable energy development.

Planning agreements outlining benefit sharing arrangements with councils should also include a review mechanism for this same purpose.

4 Proposed model and total value of benefit sharing

Under the benefit sharing policy, applicants of large-scale renewable energy projects are required to outline their proposed model for community benefit sharing in the EIS for the project (proposed model). The applicant's proposed model must include:

- an indication of the types and scale of benefit sharing (including neighbourhood and local community benefits) that will be offered by the applicant and used to distribute and share the proceeds of the project with neighbours and the broader community,
- the estimated total value (financial amount or equivalent) of community benefits (both neighbourhood and local community benefits) to be provided as part of the renewable energy proposal, including any proposed funding amounts to be included in a planning agreement and the financial value of other initiatives offered by the applicant, and
- details of specific benefit sharing initiatives if known at the time.

Applicants are advised to use the following benefit sharing rate when determining the total funding value for community benefits for a given renewable energy project.

Benefit sharing rate

Total funding for benefit sharing should be:

- $850 per megawatt per annum for solar energy development, or
- $1050 per megawatt per annum for wind energy development,

paid over the life of the development and indexed to CPI[5].

The total funding value for a given project should be calculated by adding together proposed funding amounts for any neighbourhood benefit initiatives and any local community benefit initiatives (whether council-managed or otherwise). The estimated total value of funding for community benefit sharing must not include the costs of private agreements with landowners to either host or manage impacts from the development. Other types of project costs, payments or financial benefits should also be excluded from the calculation.[6]

The benefit sharing rate outlined above is considered to be fair and appropriate, providing a total benefit value that is proportionate to the scale and duration of a given renewable energy project. Applying a clear benefit sharing rate will provide consistency between projects and certainty in relation to community expectations around potential funding outcomes.

[5] As an example, the dollar rate would be $850 per megawatt for a solar energy project for the 2023-24 financial year (and based on the project's nameplate generating capacity as built). The dollar rate would then be adjusted for CPI in each subsequent financial year.

[6] For example, access fees in REZs or costs related to managing cumulative or broader regional impacts are not to be included in the calculation of the project's community benefit total funding value.