

The background image shows a landscape with solar panels in the foreground and wind turbines in the distance under a dark, starry sky. A network of blue lines with colored nodes (orange, red, blue) is overlaid on the scene, suggesting a digital or interconnected energy system.

RENEWABLE ENERGY FOR BUSINESS, SIMPLIFIED

ACCELERATING LARGE-SCALE RENEWABLE ENERGY
USE ACROSS AUSTRALIA

**RE PPAs - Maximising Social Benefits and
Minimising Social Risks**

Why consider social impacts?

- use of environment, social and community criteria commonplace for corporate procurement - but less so for RE PPAs to date
- Governments and public sector buyers have led the way
- Growing recognition of importance of social, community and environmental issues amongst PPA buyers

For buyers:

Apply a defensive lens to minimise social risks and pro-active lens to maximise social, environmental and community benefits

For developers:

Failure to meet buyer expectations can lead to your project not being short-listed and social benefits are a way of differentiation from competitors

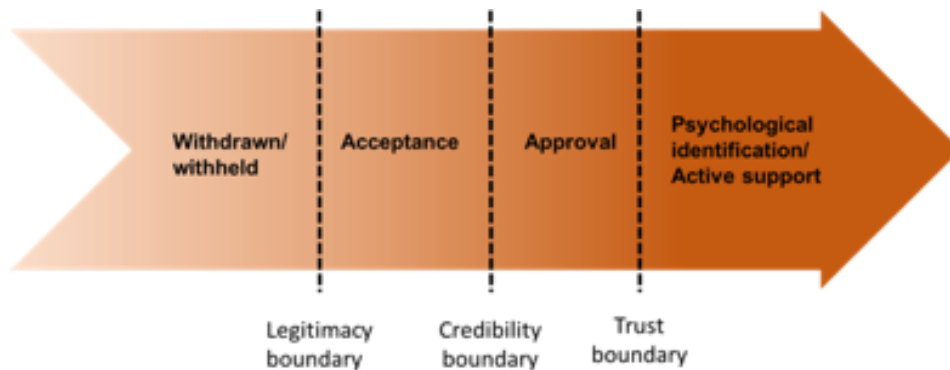
For consultants:

the knowledge and awareness of energy market consultants is mixed – social benefits can add substantial value for a client and lower risks

Why consider social impacts?

Defensive lens:

Risk mitigation to avoid impacts on reputation from being associated with a controversial project



Source: Ernst and Young (2015)

Key risks:

- Local employment
- Community engagement and involvement through the process
- Benefit sharing with landholders, neighbours and community
- Environmental impacts

Well-managed projects deliver a range of community and environmental benefits – it's rare but if community engagement and benefit-sharing is not well-managed projects can face opposition

Why consider social impacts?

Pro-active lens:

maximise the social, economic environmental benefits, marketing value and align the RE PPA with CSR goals



PPA Benefits

- Community development (e.g. services, grants, infrastructure)
- Community ownership & investment
- Local content and jobs (e.g. targets, contractor register & forums)
- Indigenous reconciliation (e.g. jobs, cultural landscape protection, RAPs)
- Skill development and education (e.g. STEM scholarships)
- Bio-diversity and landscape regeneration (e.g. invasive species)
- Economic development and reduced inequality (e.g. jobs for long-term unemployed & disadvantaged groups)

Renewable Energy Project Lifecycle

Planning & approval

GENERAL ACTIVITIES

- Additional & detailed studies
- Refinement of project design e.g. siting of turbines
- Development Approval is submitted

SOCIAL ASPECTS

- Broad-based community engagement
- Regular communications via various means (which may include a consultation committee, public meetings)
- Feedback & input on project plans
- Local businesses are engaged to notify them of opportunities & to register their interest
- Formal public review & comment on Development Application

Construction

GENERAL ACTIVITIES

- Construction contractor is sought & appointed
- Staff & service contractors are recruited
- Construction underway, often including roadworks in addition to siteworks

SOCIAL ASPECTS

- Construction contractor is introduced to local community & key stakeholders
- Regular communications via various means
- Management of construction impacts in the community
- Complaints management process active
- Community benefit sharing starts now, if not already

Decommissioning / Refurbishment

GENERAL ACTIVITIES

- Infrastructure is dismantled or refurbished

SOCIAL ASPECTS

- Complaints management process active
- Decision to extend project life via refurbishment is negotiated with local community, especially hosts & neighbours
- Community input sought on the process for management of decommissioning or refurbishment impacts

Site selection & feasibility

GENERAL ACTIVITIES

- Studies to measure resource & determine viability
- Studies of grid capacity
- Preliminary flora, fauna, cultural surveys

SOCIAL ASPECTS

- Meeting with potential landholder hosts & neighbours & negotiating agreements
- Stakeholder & community mapping
- Making contact with key local stakeholder groups & socialising the idea of the project
- Social risk assessment
- Establish communication channels (e.g. newsletter, website)

Financial close

GENERAL ACTIVITIES

- Project seeks 'offtakers' to sign power purchase agreements for output
- Project seeks debt and equity finance before it can move into construction phase

SOCIAL ASPECTS

- Community input into plans for future engagement activities, benefit sharing & the management of construction impacts
- Regular communications
- Engagement with local businesses to prepare them for construction tenders
- Community benefit sharing strategy is implemented

Operations

GENERAL ACTIVITIES

- Commissioning & operations
- Maintenance

SOCIAL ASPECTS

- On-going communications via various means
- Launch event and celebrations
- Grant funds & other community benefit sharing
- Site-tours & educational opportunities
- Complaints management process active

Tips from other buyers

1. Make social and environmental benefits part of the discussion when you are market testing and talking to proponents
2. Ensure the Information you request from bidders is commensurate with the Phase – especially EOI
3. Social risks and benefits should be included in short-listing and evaluation criteria

PPA Tender Criteria

- EV 1: Price (60%)
- EV 2: Retailer Service (10%)
- EV 3: Renewable energy project risk (10%)
- EV 4: Community and environment benefits (7.5%)
- EV 5: Victorian/Local Community Economic and Promotional Benefits (12.5%)

Source: Melbourne Renewable Energy Project, City of Melbourne

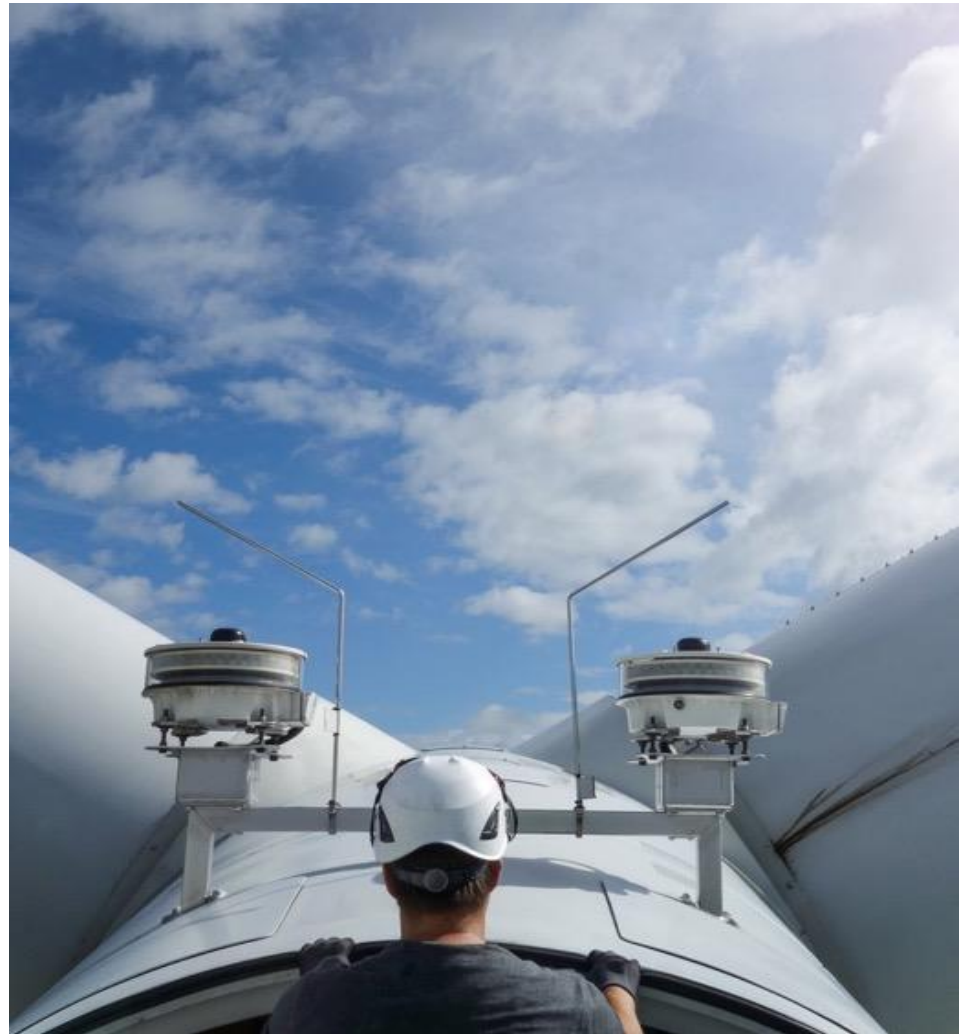


Tips from other buyers

4. Social risks and benefits should be included in performance metrics - but flexibility is needed in approach to reflect variations in sites and achieve the best outcomes

5. Keep the discussion going beyond the tender through the construction phase

6. Early consideration should be given to the operation and administration of the community benefit fund



What does it cost?

Depending on the type of social benefit – there is a scale ranging from no cost to modest cost.

Many improvements can be achieved through discussion and incorporating into development of project



‘if you’re underwriting a new facility don’t under-estimate your potential to influence positive outcomes. Invariably, the things we wanted to do were just a question of putting them on the table, discussing them and they haven’t cost anything extra ... They (developer & EPC) haven’t done it because we threw a lot of money at them – it was just developed through the process’ (buyer)

‘It (community co-investment) does have some impact on the cost of the project, but there is a net benefit to the project. It is worth it ... It has increased our social license ... It’s hard to quantify that impact, but it is positive’ (CWP Renewables, Sapphire Wind Farm).

‘Energy market advisers tend to focus on getting \$53.01 instead of \$53.10 – great deal – but don’t think about all the other benefits ... they’re effectively giving their clients poor advice. This is so much more valuable than the few extra dollars of savings ... it doesn’t have a material impact on the price.’ (Simon Currie, Energy Estate)

Learning more ...

- a menu of social benefits used in other PPAs
- Things to look for and questions to ask projects
- tips from other buyers
- tender criteria
- templates for assessing community engagement and benefit sharing



Renewable Energy Power Purchase Agreements:

Maximising Social Benefits & Minimising Risks

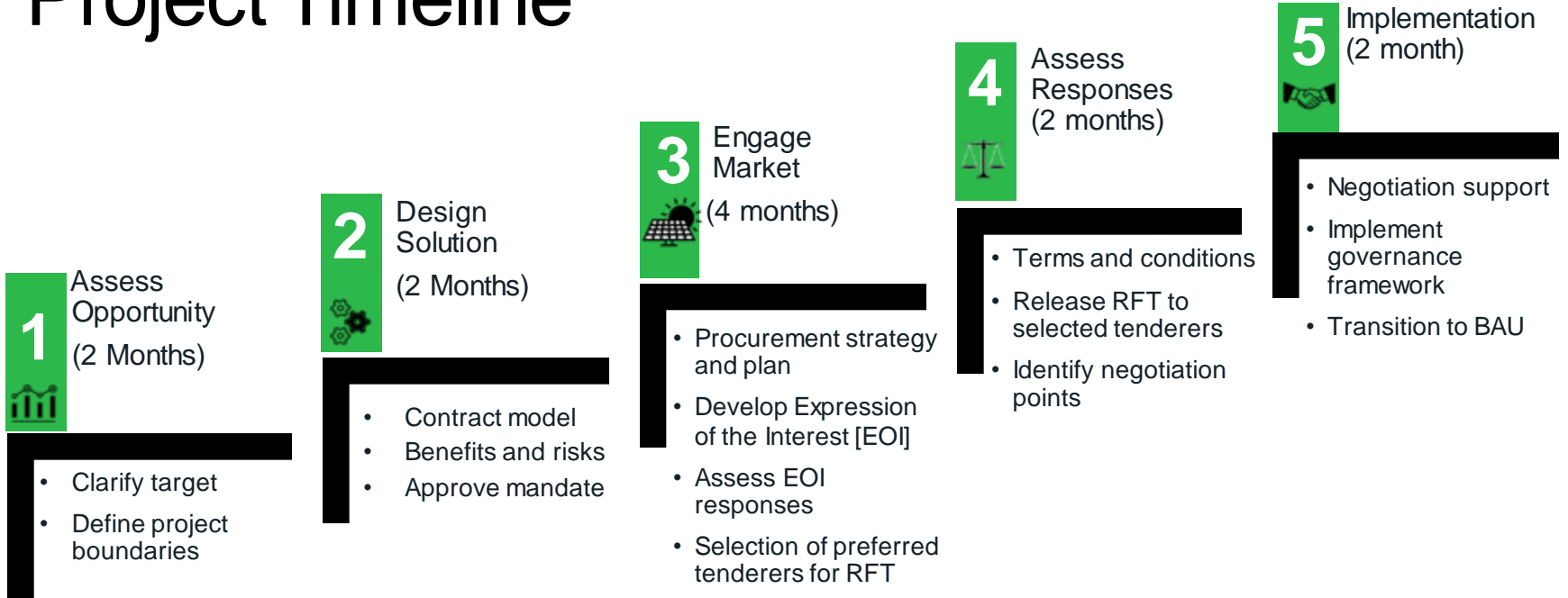
June 2020

City of Sydney PPA

Renewable Electricity Procurement



Project Timeline



Renewable Contract Options

	Option	Commitment	Complexity	Transparency
1	Green Power	Short	Low	Low
2	Purchasing from a Broker	Short	Low	Low
3	Agreement with Renewable Plant	Long	High	High
4	Agreement with an Retailer	Long	Moderate	High
5	Owning a Large Scale off-site power plant	Long	High	High



Social Benefits & Risks:

Social Benefits:

- Criteria:
 - Mandated a Community-Based component within the Tender Criteria [no set %]
 - Community Benefits each Renewable Plant Provided [Support Rural NSW]
- LGCs:
 - Market vs Specified Farm
 - Shoalhaven able to be developed
 - Provided Bomen PV farm further security of future cash flow

Risks:

- Retailer is responsible to ensure Social Benefits stated in Contract will be completed
 - Otherwise remediation until resolved



Community Solar Farm: Shoalhaven [In-Development]

- Mandated in RFT Criteria
- Not-for-profit community owned and managed scheme, for the benefit of the local community:
- Regional investment and employment opportunities for local business and workforce,
 - in a region with a youth unemployment rate of over double the national average.
- Re-purposing an old waste disposal site of little value into a renewables project
- Surplus revenues will be used to fund additional environmental initiatives in the region



Other Schemes

Sapphire Wind Farm

- Community Benefit Fund
- Community Legacy Projects



Bomen Solar Farm

- Create Local Jobs
- Indigenous Community Engagements
- Minimum of % for local sourced materials and employees





Sapphire Wind Farm - Introduction

270 MW wind farm in New England region of northern NSW

75 x Vestas 3.6MW turbines

Developed by CWP Renewables over 9 years, constructed in 2017-2018, now owned by Grassroots Renewable Energy (JV between Partners Group and CWP Renewables), asset managed by CWP Renewables

PPAs: ACT Government, Sydney Airport, Commonwealth Bank of Australia, Flow Power (Sydney Opera House, Molycop)





SWF Community Engagement Strategy

Objective

Extend opportunities for local community to be involved and leave a meaningful and lasting legacy within the community. To be deployed by local community engagement staff in our delivery team.

Strategy

1. Neighbour Agreements

Direct financial benefits for neighbours closest to the wind farm.

2. Community Benefit Fund

\$3.75 million of funding over the life of the project to support initiatives that strengthen the local community.

3. “Construction in the Community” Program

Pioneering a collaborative community development approach & all the key construction contractors to deliver a series of long term legacy projects.

4. Community Co-Investment

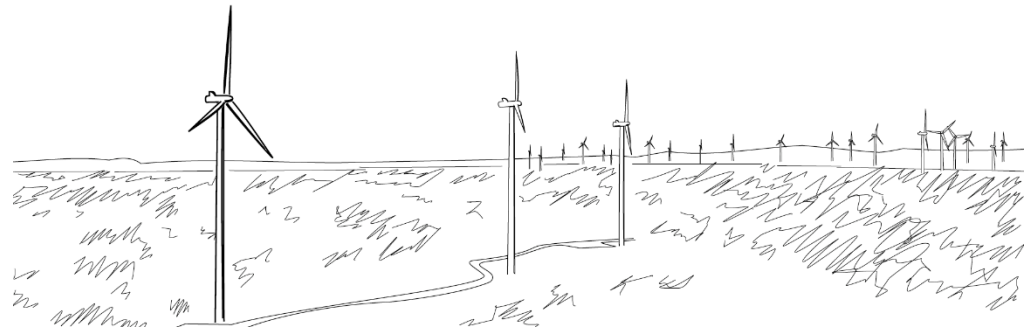
Opportunity to directly invest into the wind farm.



Community Investment

Co-investment is a common method for large-scale renewables globally, including in Denmark where it is legislated that every commercial wind farm open up for investment.

New model in Australia – the first time a commercial wind farm has opened up for public community investment. Previously only community energy projects or neighbourhood equity





Community Investment – why?

Sharing the financial benefits from the wind farm more broadly

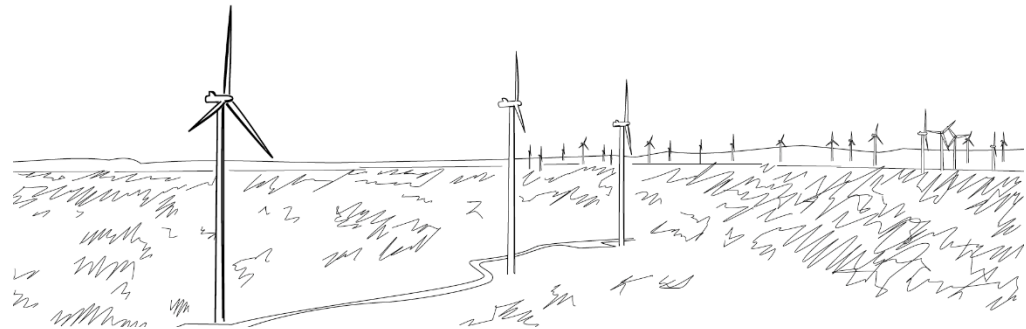
There are few opportunities to invest in local generation

Directly support the move to a lower carbon economy

Engage with people with common values

Create community wealth and connections to the SWF

ACT reverse auction





Co-development and assessing community interest

The Community Co-Investment initiative undertook extensive consultation using a multi-stage process:

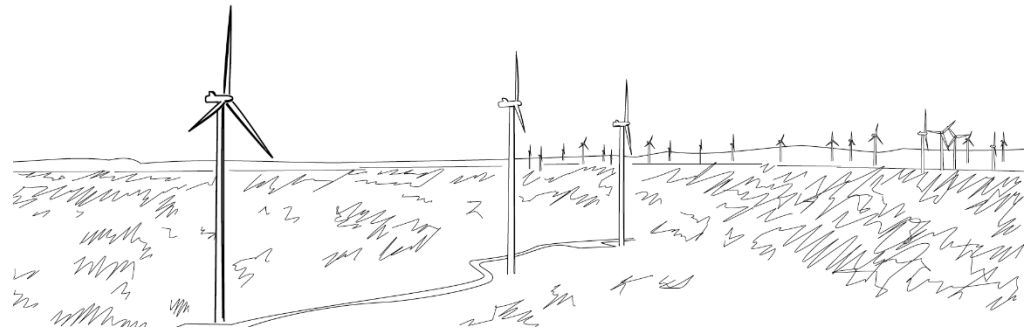
- **Step 1: Introduce the concept.** In 2017, we ran public events in Inverell and Glen Innes with over 300 attendees. Søren Hermansen discussed the European experience with community investment.
- **Step 2: Design and road test the process.** The project team worked with local stakeholders to design and road test the survey and promotional plan. Three focus groups with 40 attendees were held. Local partnerships established with sustainability groups across the region.
- **Step 3: The Discovery Phase.** Eight 'discovery sessions' were held at six locations. This was coupled with an online survey for investment 'pledges'. Around 500 people responded to the survey \$7m pledged.
- **Step 4: Assess and decide.** The community survey findings were assessed and a decision was made to proceed. Key changes were made to incorporate community feedback from the survey.
- **Step 5: Development:** Based on the feedback, an innovative partnership was established with DomaCom Australia Ltd, an online 'fractional investment' platform.
- **Step 6: Implement.** Final stage - investment offer formally opened from February 2019 to June 2019.

\$1.8m raised in community investment



Community Investment – key features

- The community feedback greatly influenced the model: 10 year term instead of 7, minimum investment \$1,250 instead of \$5,000, local geographic boundary, no governance obligation, fixed rate of return instead of variable, debt over equity
- DomaCom partnership removes the governance obligation for the community – structure is a sub-trust fund managed by DomaCom
- Community investors can apply to be on the Community Advisory Panel and act as a conduit for wind farm tours and unit sales
- No hidden fees – all establishment, due diligence and management fees are born by CWP
- All investors welcome – individuals, businesses, family trusts, self managed super funds
- 6% return paid quarterly
- Repayment of capital at 10 years
- No capital gain – just interest
- Simple, replicable & scalable





Community Investment – local criteria

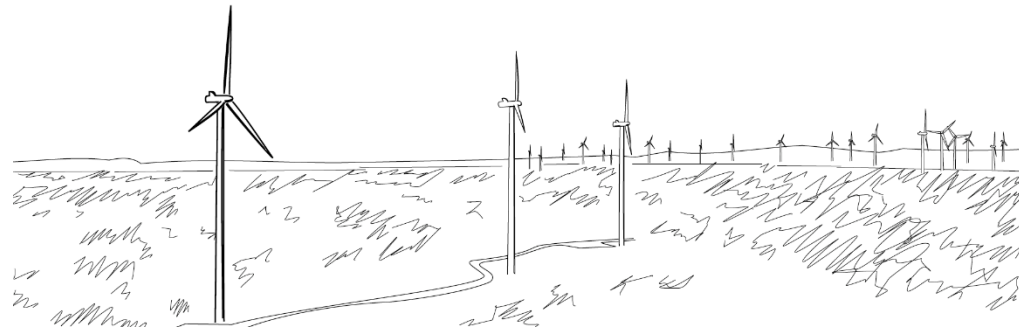
We initially prioritised community investors in the following geographic order:

1. Firstly, to hosts of Sapphire Wind Farm wind turbines and neighbours
2. Then, to residents of the Inverell Shire and Glen Innes Severn Council
3. Then, to the balance of residents of the Federal Division of New England

We ultimately extended the geographic boundary to all of NSW and the ACT.

The drought had a big influence on people's ability to invest, despite the generous returns.

We will replicate at our other projects



Resources to stimulate good benefit sharing

- Sapphire Supplementary Product Disclosure Statement (SPDS)
- Sapphire Community Investment Testing Report
- VRET Guide to Community Engagement and Benefit Sharing for Renewable Energy Developers
- CEC Enhancing Social Outcomes in Wind Farm Development – including council guidance
- CEC Benefit Sharing Option for Renewable Energy Development

