Submission No 53

INQUIRY INTO IMPACT OF RENEWABLE ENERGY ZONES (REZ) ON RURAL AND REGIONAL COMMUNITIES AND INDUSTRIES IN NEW SOUTH WALES

Organisation: Blueprint Institute

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Blueprint Institute

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Legislative Council
Portfolio Committee No.4 Regional NSW
Parliament of New South Wales
Sydney NSW 2000

Dear Committee Secretary,

Blueprint Institute welcomes the opportunity to provide a submission to the inquiry into the impact of Renewable Energy Zones (REZ) on rural and regional communities and industries in New South Wales.

This submission centres on the adequacy of community consultation and engagement in the development of Renewable Energy Zones and associated projects. Our analysis is based on independent research, as well as interviews with government and community officials.

Our recommendations include:

1. Improving transparency in landowner negotiations;
2. Developing a standard template for lease agreements;
3. Supporting access to legal advice for landowners;
4. Enhancing communication regarding the approval process of large scale renewable projects;
5. Ensuring community consultation is carried out in a culturally sensitive manner by experienced professionals;
6. support community benefit-sharing programs; and
7. Offering clarity around caps on benefit-sharing programs.

Yours sincerely,

Liana Downey
CEO Blueprint Institute

Context – Australian attitudes towards the energy transition

Studies have revealed that most Australians support the renewable transition in principle, and respond positively when asked about their willingness to live close to renewable energy assets. Last year, the CSIRO released the most comprehensive study ever conducted on Australian attitudes toward the renewable energy transition. 88% of participants reported that they would tolerate living near a solar farm. Whilst high, these results are lower than those of a 2020 survey in which 95% of people responded positively to the idea of living near a solar farm.

This decline in reported tolerance may suggest that as individuals confront the reality of living near renewable energy projects, rather than merely considering the concept in the abstract, their willingness diminishes. Indeed, Scovell et al. have reported that "high levels of broader public acceptance [of local solar farms] does not necessarily translate into high levels of acceptance at the smaller community level."

The establishment of the Illawarra offshore wind zone was one example of significant community resistance to a renewable energy project. The proposed wind farm development sparked fierce public debate and became a catalyst for organised opposition. In response to community feedback including over 14,200 submissions, the declared overshore wind zone was reduced by a third.

Despite the common perception that members of regional and rural communities are less likely to support ambitious climate policy than their urban counterparts, recent research utilising a representative sample of the Australian population has found no significant difference between the two groups. According to the study, political party alignment, media consumption, and age were far more significant variables when it came to predicting attitudes towards climate policy than the area a person lives. This data strengthens the case for the need for national efforts to build understanding of the rationale, aims and risks of the energy transition.

The primary objections to proposed renewable energy projects often centre around a belief that they will tarnish the beauty of the natural environment, threaten endangered wildlife, decrease property values for nearby residents, or place an unfair burden on the local communities.

Feelings of agitation can arise from the sense of having change inflicted upon oneself and the broader community. Concerned individuals may seek out information which validates their sense of anxiety, leading to self-reinforcing feedback loops.

Unfortunately, mis- and dis-information frequently permeates local discussions about renewable energy projects. For example, many of the submissions received as part of the proposed offshore wind development in the Illawarra centered around discredited claims of the risks offshore wind facilities posed to whales. This spread of inaccurate claims can make it challenging for individuals and communities to accurately assess the risks and impacts associated with new developments.

Countering these narratives and building community consensus requires a nuanced approach that considers the unique history, values and socio-economic makeup of each Renewable Energy Zone (REZ).

Issue – lack of equity in landowner negotiations

One of the primary sources of tension within Renewable Energy Zones stems from the perceived unequal distribution of economic benefits amongst members of the community.

Landowners hosting renewable energy assets stand to gain the most from new projects, with lease payments from project developers providing a substantial income source. This diversification of revenue can effectively 'drought-proof' their businesses.

Due to their size and topography wind farms, which typically cover larger geographical areas than solar farms, usually require developers to negotiate lease agreements with multiple landowners. These agreements are often confidential, making it difficult for landowners to determine if terms they are offered are fair and competitive.

Solar farm lease arrangements tend to be simpler, usually involving negotiations with a single landowner.

During the initial prospecting phase, developers may approach numerous landowners to assess their willingness to host renewable energy assets. Early-stage project design changes are common, and previous research has shown that such modifications can result in some landowners being quietly dropped from projects, leading to confusion and distress. This can erode trust in project proponents, especially when changes are not directly communicated. It is crucial for developers to manage landowner expectations from the outset, including informing them of potential risks.

The disparity between those hosting renewable energy assets and those who 'miss out' can create significant tension in traditionally close-knit communities. We recognise the NSW Government's recently released Benefit-Sharing Guidelines, which offers a framework to facilitate pooled benefit-sharing schemes, ensuring that the advantages of hosting renewable energy assets extend throughout the entire community.

Recommendation 1: improve transparency in landowner negotiations

To help reduce information asymmetry between developers and landowners, we endorse the Australian Energy Infrastructure Commissioner's recommendation that developers should be open to negotiating with landowners as a collective. This approach promotes transparency in negotiations and mitigates potential conflicts arising from perceived inequalities. Furthermore, developers should refrain from imposing non-disclosure agreements or other legal instruments which prevent landowners from communicating with each other about the terms of their agreements.

Recommendation 2: develop a standard template for lease agreements

In order to address the power imbalance between developers and landowners, we also support the Australian Energy Infrastructure Commissioner's recommendation for the renewable industry to publicise a standard template for lease agreements, alongside price guides.

As renewable energy projects are typically owned by private entities it is appropriate for this process to be privately led.

Recommendation 3: support access to legal advice for landowners

We do, however, see an important role for the government to play in landholder negotiations by offering a dedicated fund which landholders can use to access legal and financial advice prior to entering into lease agreements with developers. It is not uncommon for these agreements to span decades, therefore it is imperative that landowners understand the implications of such a commitment before agreeing to a developer's terms.

Issue – general lack of understanding about how the planning system works

Discussions with federal, state and local government representatives have revealed a general lack of understanding about how the planning and authorising environment for large scale renewable energy assets work, leading at times to significant confusion among community members.

For instance, the Federal Minister for Energy is responsible for declaring areas suitable for offshore wind development and does so on the advice of the department of Climate Change, Energy, the Environment and Water. Before an area is deemed suitable, a mandatory public consultation period must occur for at least 60 days.

However, declaring an area suitable for offshore wind development does not equate to immediate approval for construction. This is merely the first step in the legislative process. Any organisation wishing to build a wind farm would need to apply for a feasibility license, which would include a rigorous environmental assessment. A potential project must also be assessed under the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC) Act to determine whether it has the potential to impact on matters of national environmental significance.

In conversations with the Blueprint Institute, government representatives acknowledged the challenges in effectively communicating this approval process to constituents. Many community members are unaware that each individual renewable energy project requires its own consultation period to evaluate its impacts. This lack of understanding was evident in the strong public opposition encountered during the proposed offshore wind development in Illawarra and the associated transmission infrastructure in the Central West Orana Renewable Energy Zone.

Recommendation 4: enhance communication regarding the approval process of large scale renewable projects

It is essential for relevant government departments and agencies to clarify their messaging about the expected timelines and approval processes for large-scale renewable energy projects. Specifically, consistent, clear information about the process should be publicly available on websites that everyone can access. And wherever possible, in-person communication should be undertaken to communicate the process clearly. This effort could help alleviate community anxieties surrounding rapid changes in their environments.

Recommendation 5: ensure community consultation is carried out in a culturally sensitive manner by experienced professionals

Effective community consultation requires specialised expertise and should be entrusted to firms or project proponents with training in conflict resolution and culturally appropriate communication. The consultation process must be accessible and tailored to meet the diverse needs of different community groups.

The task of facilitating town hall style discussions should not fall to public servants with little experience in this regard. Government officials may be restricted in what they can say, particularly during early stage consultation. This can lead some individuals to feel as though information is being deliberately withheld, potentially eroding trust in the process. By offering multiple channels for community input and ensuring that robust follow up and feedback mechanisms are in place, project proponents and government bodies can foster more productive and trust building interactions with community members.

Issue – dissatisfaction with benefit-sharing arrangements

Research has consistently shown that residents are dissatisfied with the nature of benefit-sharing arrangements. Recent NSW government guidelines are an improvement, but more can be done to clarify the nature and extent of potential benefits.

To ensure that the economic benefits of renewable energy projects flow more evenly, project proponents are now expected to explicitly outline benefit-sharing arrangements as part of their Environmental Impact Statement (EIS) prior to receiving developmental approval. Importantly, these benefit-sharing agreements are separate from commercial arrangements with individual landowners. Examples of benefit-sharing arrangements may include a community fund for local infrastructure upgrades or offering energy rebates to individuals within a certain kilometre radius of a large scale renewable project.

Generation and storage projects in REZs also pay access fees if they connect to new network infrastructure projects. This money goes into dedicated funds for community and employment-related initiatives in each region. EnergyCo is coordinating this funding under a Community and Employment Benefit Program. It is our understanding that benefit-sharing arrangements outlined within each project's Environmental Impact Statements are again separate to access fees which offer the potential for pooled funding. These access fees are a way of regulating or reducing the level of inequality between those that receive direct financial benefits from hosting renewable energy assets and those that don't.

The NSW government has recently released Benefit-Sharing Guidelines. These guidelines include details of the monetary value energy companies will be expected to contribute to

community and neighbourhood funds. Explicitly outlining these rates sets clear expectations for the industry whilst providing a useful reference point for communities, who can use the guidelines to determine whether energy companies are contributing a reasonable amount.

However, the language within the document suggests that rather than functioning as a guide, the specified rates should act as a cap on total contributions.

The rates included within the guidelines are $850 per megawatt (MW) per year for solar over the life of the project, $1050/MW per year for wind, and $150/MWh per year for battery energy storage systems (BESS), all indexed to CPI.

The document explicitly states that the total value of benefit-sharing "should not exceed the rates outlined above."

Recommendation 6: support community benefit-sharing programs

Our previous work has highlighted the opportunity and value of systematic benefit-sharing schemes for communities. We recommend that the government err on the side of arrangements that facilitate long-term community benefits, the bulk of evidence suggests this is an effective way to ensure a rapid transition to clean fuel sources and support communities in the process.

Recommendation 7: offer clarity around caps on benefit-sharing programs

We agree that offering guidelines to industry is a useful mechanism to provide welcome transparency to both project proponents as well as communities. However, we see no reason why funding should be capped. We recommend that the government offer greater clarity around the reasoning for placing caps on benefit-sharing programs, and whether or not developers may exceed them if they are willing and able to do so.

Path forward – building trust

Project proponents must cultivate trust in the community to gain local acceptance of energy generation projects. Investing in building these relationships can minimise planning delays and resulting cost blowouts. This dialogue must be early, sustained and authentic. Research indicates that in-person communication is an important mechanism in building trust. This is especially important in regional and rural areas where internet connectivity is poor.

The experience of Blind Creek Solar Farm shows how early attempts to engage the community in the design of a shared-benefit model can assuage anxieties about the project and garner significant community support. During the consultation process, the project received 37 supportive public submissions and only 3 public objections. Other examples include the The Sapphire Wind Farm Community Co-Investment Initiative in New South Wales which enabled local community members to directly invest in and benefit from the project.

Stakeholders to whom we spoke noted that projects that were most successful at garnering community consent were those that maintained a consistent presence in the community and

spoke about the economic benefits of projects early on. Stressing the economic dividend opportunities of renewable projects can be a crucial mechanism to harness social license, particularly when communities are empowered through the opportunity to co-design benefit-sharing models.

Town hall discussions and forums can be useful to inform the community about the nature of the project and the potential economic opportunities it poses, although it is crucial that these sessions be facilitated by those with expertise in community engagement. Project proponents should also be encouraged to be proactive in local media to maximise opportunities for broad engagement.