Community benefits for the energy transition

There is some mention of community benefits by AEMO, however as yet there is not much action. In fact, there will never be much action from AEMO, its not in their domain of interest. Community benefits are apparently in the domain of state governments.

Where does the money come from?

Although community benefits are to be funded by all electricity consumers the expenditure of community benefits has been delegated to each state government. How that happens is very complex, but there is a real risk that funds will be misdirected, perhaps only somewhat misdirected, but definitely a risk.

When state governments have access to external funding, there is real budgetary incentive that they will spend that money on things they should be providing anyway. Like community health, road maintenance, low-cost housing, public transport and so on. Some of those may be useful benefits, but if they are a replacement for budgeted items then that reduces the value substantially.

There are many options for community benefits and this discussion paper is also just outlining options but trying to encourage options with a more strategic flavour.

This massive influx of infrastructure and expenditure is a **once in a generation**, or perhaps **never again**, opportunity. Areas where renewable energy zones are declared are genuine rural Australia, but the entire nature of these areas is being changed into some new form of landscape – **not agricultural and not industrial**, but certainly not what it was. It's a massive and seemingly irreversible change.

This is why it's so important to make good benefit choices.

Some benefit principles

1. All benefits coming back to a region must **firstly and fully compensate those directly affected**. The definition of those affected should be geographically broad but well defined. This is absolutely essential, because without this, fairness and equity are compromised.

2. All benefits should have **long lasting characteristics**. There is a real case to be made for recurrent benefits to those most impacted. And for wider community benefits to be of a more strategic nature so that they improve productivity and liveability. Let's talk about investment rather than donations. Timescales should be of the order of the lifetime of the infrastructure.

3. All benefit definitions and calculations should be **public and transparent**. This is especially true when undertaken via Local Government. And ideally, they

would be known before infrastructure proposals, but this aspiration is probably already lost.

4. There should be **follow up research** to assess the effectiveness of and satisfaction with the benefit schemes. This should be part of an **ongoing commitment**. If something hasn't worked or turns out to be not equitable after five years, then change it. As stated in other discussion papers, there are at least tens of thousands of people working on the energy transition. Not many of those are working on community benefits and that needs to change.

In thinking about what style of community benefit might be best, it is worth considering that most if not all the energy transition is very much happening in rural areas, not even regional.

So, what are the biggest problems facing rural areas and would be worthy of attention?

Problems facing rural areas

1. The number one issue for rural areas is low or negative population growth. Virtually all other problems flow from that.

2. Most if not all rural areas have a lack of quality buildings to support population growth, both residential and commercial.

3. Most if not all rural areas have a lack of medical and aged care facilities.

4. Most if not all rural areas have a real struggle with recycling.

5. Most if not all rural areas are underserved for transport options. (Areas like North West Victoria would get a massive boost from passenger rail services for example.)

6. All rural areas suffer poor and dangerous roads.

7. If you own property in a rural Local Government Area (LGA), you will be massively overpaying in rates compared to regional or metropolitan areas.

Ideally, any benefits would be consistent with all principles and be linked to one or more of these problems.

Issues with current benefit arrangements

In Victoria (and similarly in NSW), there is the Land Acquisition Act for direct compensation and a proposed policy for neighbour compensation, which even when adopted is only designated as guidance. Both only apply to transmission infrastructure as being proposed by AEMO and implemented by the state government.

Wind and solar generators are all private, they don't seem to have any rules. They are seemingly more generous than the government transmission compensation offerings but are inconsistent between developers.

There are community benefits (mostly small) handed out by existing generation facilities however I don't believe many would meet the principles above. Of course this is just an observation, but it seems that most benefits are aimed at very small wins (and often to large audiences, say a sporting club for instance). That's fine, but there doesn't seem to be much emphasis for anything ongoing or of a more strategic nature.

Some examples, from the "leading renewable energy company" – Squadron Energy.

Looking at the Murra Warra Wind Farm 2024 community grants list, the distances of the listed beneficiaries from the wind farm are between 23 and 49 km. The turbines may be visible from the 23km sites, but probably with minimal impact. Almost certainly not visible from the others so I think it's fair to say that a good proportion of the benefits are going to those not impacted. The total amount mentioned on the Murra Warra (Squadron Energy) website is $99,000 each year, which based on rough industry statistics available is probably around 0.1% of the income generated. Whether a not-for-profit donation or part of a marketing budget, after tax deduction the question is whether that is adequate compensation for the impact caused. Perhaps even more important is how should we/can we measure that adequacy? It is also concerning that there is no consistency among private developers – they set their own rules.

Most benefits seem to be limited to not-for-profit, which is also fine, but perhaps there are opportunities to partnering with for-profit organisations for more strategic benefit – housing development for instance.

Squadron Energy have made a more strategic grant/partnership with the Dubbo LGA for a water treatment plant, which is great, but the nearest Squadron facility seems to be some 41km away (although they are also planning a gas-powered generator in Dubbo). Once again, not really local.

The CEO of Squadron Energy has recently supported payment of improved benefits to neighbours – but not by Squadron Energy and instead suggesting the government should pay this through taxation relief.

It would be enlightening to survey people living in the intervening areas from these facilities, say the 5km-20km zone to see what benefits they have received, especially people who didn't want the facility – see principle 1.

Linking principles with problems at a strategic level

There are no doubt some communities with well thought out and great instances of strategic plans, which could be the focus of benefits from the energy transition. But mostly, I fear that isn't the case.

So how could the principles listed above be connected to the problems facing rural areas? They seem very disparate at first glance.

Perhaps some examples would assist in understanding what a bolder approach might include.

How can the energy transition help population growth.

Of course, no energy company has the interest or expertise to research or implement a population growth strategy. But they might be able to fund research, feasibility studies and so on via appropriate organisations who are specialised.

Just as an example of what might be an investable strategy - over the last few years Australia has had migration of 500,000 plus people each year. If you think about what population growth could make a difference to a rural town, say with a population of less than 2000, it wouldn't take many. As few as five families per year would make a difference in one town. Let's say 10 people, which is only 0.002% of the *annual* intake.

One of the big issues with population growth is Agriculture, because as farms get bigger population goes down, it's actually negative for rural towns. The missing ingredient in many rural towns is commercial activity.

Only a very small percentage of people living overseas might want to live in a rural location, say 300km plus from a capital city. But only a very small percentage is needed to make big difference. A migration Visa that targets people with commercial and/or small business skills would work well. But this would require all three levels of government working together – just like an energy transition!

Similarly, to support renewed commercial activity in rural towns there needs to be investment in new commercial property, one again this is something that the energy transition could support.

Without suggesting that this is a fantastic new idea, the intent here is to encourage thinking about much more far-reaching benefits. **In fact I think it should be mandated.** There are plenty of great ideas out there and some should be brought to life.

The use of Local Government

Also, again in relation to Squadron Energy, it does seem that the major benefits are being delivered via local government, particularly to the nearest regional cities, but of course the energy infrastructure isn't in the regional cities, it's in rural areas.

There seems to be noises coming from state governments as well about utilising this approach. While this may allow the state governments or energy generation developers a quick "community benefits – done!" outcome, I have real concerns about the actual community outcomes.

It is essential that community benefits are an investment, not just an expenditure. Any local government funding needs to have strings attached so that strategic outcomes are favoured. Rural LGAs need investments that really create momentum in solving the biggest problems. I don't think it can be overstated that this is likely a once-off opportunity, but deservedly so, given the burden falling in these areas. I think it must be said that bolder, more strategic projects are not an area of expertise for most rural LGAs, so it might be that the energy transition needs to fund such expertise where it's actually needed.

To put this in AEMO speak, donations for local halls are great, but will not make a step change for communities, the very communities that are being asked to carry the load - unlike the step change being proposed for the energy transition.

It is important to keep coming back to **Benefits=Burden**. Benefits need to be for those impacted and appropriate for the burden. At this stage even the total quantum of benefits hasn't been debated. What is the worth of the burden to forever change our rural landscapes?

The energy transition should have been an equal partnership with communities to bring them forward in the same way. So far that opportunity has been turned into a conflict. It can still be changed.