



## Policy Discussion Paper:

# Unlocking Local Benefit from Renewable Energy in Orkney

### 1. Introduction

Orkney stands at the forefront of renewable energy innovation, generating more electricity than it consumes through wind, wave, and tidal power with a diverse and strong locally based professional and technical service supply chain. Yet, this success story is marked by a paradox: while Orkney exports a balance of clean electricity to the mainland, Orkney continues to suffer from very high levels of fuel poverty.

Howie Firth has written about how fifty years ago, Orkney stood at a crossroads.<sup>1</sup> The discovery of North Sea oil presented both immense opportunity and significant risk. Through effective leadership, strategic planning, and the Orkney County Council Act, the islands secured not only development but also protection, ensuring that the benefits of oil infrastructure at Flotta were shared with the community. The creation of the Reserve Fund, the emphasis on local control over harbour operations, and the proactive engagement with government and industry laid the foundation for a resilient and empowered Orkney.

Today, Orkney faces a similarly transformative moment. The growth of the renewable energy economy, driven by wind, wave, and tidal power, positions the islands once again at the forefront of national and global energy transitions. Just as oil development required bold action to safeguard community interests, so too does the renewable sector demand a framework that ensures local benefit, environmental stewardship, and long-term resilience.

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<sup>1</sup> <https://orkneycpp.org.uk/wp-content/uploads/2025/11/50-years-of-the-Orkney-County-Council-Act-for-Orcadian.pdf>



The lessons of the 1970s are strikingly relevant. Then, Orkney's leaders recognised the risks of fragmentation, speculation, and external control. They responded by securing powers, building infrastructure, and establishing financial mechanisms that would serve the community for generations. Now, with renewables, similar risks emerge, from fuel poverty and housing pressures to the visual and environmental impact of transmission infrastructure. The imperative is clear: to match environmental ambition with social justice, and to ensure that Orkney's leadership in clean energy translates into tangible, lasting benefits for its people.

This paper builds on that legacy. It explores how planning policy, community ownership, and strategic investment can unlock community benefit from renewable energy, just as the Orkney County Council Act did for oil. By drawing on the past, we can shape a future where Orkney leads not only in energy innovation, but in community empowerment and sustainable development.

The focus of this paper is on local benefits from renewable energy generation developments, but the approach can also be extended to other developments in Orkney, including housing and aquaculture.

## 2. Contribution to Climate Change Mitigation

Orkney's renewable energy generation plays a vital role in supporting UK and Scottish ambition to reducing greenhouse gas emissions:

- **Wind, tidal, and wave energy** displace fossil fuel-based electricity, contributing to Scotland's net-zero targets. They also contribute to UK energy resilience / security.
- The **SEN (Strategic Electricity Network) interconnector** enables the export of clean energy, supporting decarbonisation across the UK.
- Local innovation in testing and adoption of ideas, methods and technologies has positioned Orkney in leadership positions in whole energy system and carbon transition planning, marine energy, wind energy, energy storage, energy conversion, energy efficiency and energy system training/education.
- Professional and Operational skills and expertise in the supply chain support and leading research and innovation collaborations support global positioning in the race to net-zero.

However, if we are to convince people that the growth of the renewables sector is a good thing at a local level, the imperative to secure the environmental benefits must be matched by social and economic gains for the local community.



### 3. The Local Burden of Industrialisation

While the development of new energy infrastructure will bring potential benefits to Orkney (Jobs, opportunities to develop new skills, investment and spending which benefits those in the direct supply chain and the wider Orkney economy) and protect the environment, , Orkney will also bear the physical and social costs of such developments:

- **Visual and environmental impacts** from transmission infrastructure including cabling and substations and wind farms.
- **Disruption to landscapes and heritage** that are central to Orkney's identity and tourism economy.
- **Fuel poverty** remains among the highest in Scotland, with many households unable to afford adequate heating.
- **Competition in the employment markets:** Orkney has very low unemployment levels and welcome new opportunities presented by high value new jobs in the renewables sector also present challenges to sustaining workforce across Orkney's diverse economy.
- **Demands on Housing and public services:** This is particularly acute during construction, such as the work on the Interconnector which has reduced the number of places on ferries and planes available to residents and tourists, which may have already affected tourist numbers this summer.
- **Inward competition for provision of services, facilities, equipment and expertise.**

This contradiction between energy export and local hardship could be more effectively addressed through fairer distribution of benefits.

### 4. Creating Energy Developer Principles and learning from others

To ensure that the community optimises the benefits it receives from energy developments, we must develop our own developer principles. This document considers a few of elements (ownership, a unified benefit fund etc.).



No island group is identical, but we have a lot to learn from the work done of the last couple of years in Shetland, culminating in the Fairer Share for Shetland Document<sup>2</sup> produced by VOAR working with Shetland Islands Council, The Just Transmission Commission and others.

### **The Shetland Approach**

The Fairer Share for Shetland report outlines a framework of five key elements through which Shetland aims to achieve a fair share:

#### **1. Community Benefits**

- Formal benefit schemes linked to energy developments, especially onshore wind.
- Advocacy for payments based on energy production value rather than installed capacity.
- Push for new guidance and fair arrangements for offshore developments.
- Strategic use of funds to support infrastructure, fuel poverty reduction, and local services.

#### **2. Ownership**

- Promotion of community, municipal, and locally owned energy projects.
- Support for shared ownership models with commercial developers.
- Engagement with national initiatives like Great British Energy to advance local stakes.

#### **3. Indirect Benefits and Market Gains**

- Strengthening local supply chains and employment through partnerships.
- Setting targets for local content in energy projects.
- Providing opportunities for Orcadians to benefit from the development of skills and industry clusters via initiatives like EmPowering Shetland.
- Help attract new people to settle in Orkney, addressing our age demographic balance.

#### **4. Compensation Payments**

- Recognition of disbenefits to communities and individuals, especially in fishing and aquaculture.
- Advocacy for compensation linked to infrastructure impacts (e.g. marine cables).

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<sup>2</sup> Fairer Share for Shetland <http://orknecpp.org.uk/wp-content/uploads/2025/09/Fairer-Share-for-Shetland.pdf>



- Proposal for a strategic Shetland Fund to manage and distribute compensation fairly.

## 5. Fiscal and Regulatory Changes

- Exploration of local tariffs (e.g. the Shetland Tariff) to reduce energy costs.
- Calls for reform of taxation and regulatory frameworks to retain more value locally.

The report also recommends:

- Creating a unified Shetland Fund to manage community benefits and compensation (EmPowering Shetland).
- Ensuring Shetland-wide benefit from large-scale developments.
- Embedding these principles in the redrafted Shetland Energy Strategy.

There is work elsewhere that that we can learn from, including the

1. [Community Wealth Building Framework from Renewables: a summary for South of Scotland Enterprise](#) produced by the Centre for Local Economic Strategies.
2. The Outer Hebrides Developer Principles which are published [here](#).

In developing our own principles, we need to decide what are the community benefits we want to obtain for residents and the environment. The main challenges faced by Orkney are captured in our [Community Plan 2025/30](#), and one of those challenges is population: The National Records of Scotland has predicted that over the next decades, our population will drop and it will get older. A key benefit for Orkney from the renewables sector is good jobs which give our young people an incentive to remain and for working age people a reason to come, but only if we follow Just Transition principles (see the [Orkney Vision](#)).

As a starter for ten, this might include:

- Employment and training opportunities for local people.
- Just transition to net zero (see the Orkney Vision for a Climate Resilient and Net Zero Future).
- Initiatives to reduce fuel poverty (making homes warmer, more efficient heating systems, reduced bills).
- Supporting local supply chains.
- The development of infrastructure which will benefit Orkney.
- Alignment to community wealth building approach.
- Contribute to developing the Orkney wellbeing economy.



There will need to be engagement with community planning partners, community groups, business and the public to decide our priorities.

## 5. The Importance of Local Ownership

A key lesson from Shetland is that ownership matters. When renewable energy assets are owned by external companies, the balance of value achievable from project development is more likely to leave the islands, with the likelihood of time-bound “cash” based contribution offerings. In contrast, community and council-owned projects retain value locally and can deliver stronger long-term, sustainable benefits.

The Fairer Share for Shetland report underscores this point. The report found that while Shetland has enormous renewable energy potential, the scale of development is unlikely to be considered just unless the community receives a fair share of the value derived from local resources<sup>3</sup>. The report highlights how in the 1970s, Shetland like Orkney, leveraged its position with a pioneering use of the **Zetland County Council Act** to secure substantial community returns from oil and gas. The report also shows how more recent developments, such as the Viking Energy Windfarm, have failed to deliver proportionate community benefit due to lost stakes and imbalances in financial power between developers and communities. In this case the Viking Energy Windfarm most profits will be directed out of Shetland to shareholder.

This lesson is highly relevant to Orkney. Here, **community-owned projects** such as:

- **Shapinsay Development Trust** and **Hoy Energy Ltd**, which are owned by the locally based development trusts directly, reinvest all profits into local transport, housing, and wellbeing.
- **Orkney Islands Council’s Community Wind Farm Project**, owned solely by the Council, means all income would come into the Council, providing a significant revenue stream to help protect, support and enhance public services the community rely on. This will ensure the projects benefit everyone in Orkney in some way. In addition to this revenue stream, there will be a location-specific community benefit fund to support local communities drive transformational projects of their own, strengthening our communities and empowering local democracy.

These examples show that when communities have ownership or meaningful stakes in energy developments, the benefits are more balanced towards direct investment in the local areas and enduring. However, without supportive policy and infrastructure, communities may struggle to compete with commercial developers—just as Shetland’s North Yell Development Council did when trying to replicate the successful Garth windfarm model<sup>4</sup>.

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<sup>3</sup> [Garth Wind Farm | North Yell](#)

<sup>4</sup> [Shetland, Community Benefit, and the Energy Transition](#)



## 6. Planning Policy and Community Wealth Building

Planning policy is a powerful tool to manage the impacts of developments and enabling sustainable development, including consideration of measures to contribute to local wellbeing and provision of benefits for local communities.

There is a specific Community Wealth Building policy in Scotland's National Planning Framework 4 (NPF4). This policy sets out how development can contribute delivering local wellbeing and benefits for local communities. In this regard OIC is reviewing the new Orkney Local Development Plan which is expected to include further policy guidance on Community Wealth Building principles. The Orkney Islands Regional Marine Plan also addresses these matters in terms of marine development and is due to be finally adopted by the Scottish Government in early 2026.

Examples of how developers may demonstrate contribution to Community Wealth Building (CWB) principles through development proposals can include:

- Prioritise local supply chains and workforce development.
- Job creation
- Environmental and/or health and wellbeing improvements

In addition, developers can also engage proposals associated with developments which provide meaningful, long-term community benefit funds or offer shared ownership or profit-sharing models.

## 7. A Unified Orkney Community Benefit Fund

Currently, community benefit funds are fragmented and vary by developer. One option to explore would a pooled approach with the aim of:

- **Maximising impact** by combining resources from multiple projects.
- **Empowering communities** to set strategic priorities through participatory decision-making.
- **Target fuel poverty**, energy efficiency, and local resilience as key outcomes.

This Fund would include money from renewable energy developments, but also from other developments in Orkney.

This model could be managed by a trusted local body, with transparent governance and island-wide representation to ensure robust monitoring, evaluation and risk management. The Orkney Local Action Group, originally set up to manage EU LEADER



Programme funding, manages and delivers Scottish Government Community Led Local Development funding across Orkney. The LAG represents a wide range of interests and is made up of representatives from Orkney's public, private and voluntary sector. It also has recognised capability to deliver other sources of Community funding and so it additionally administers the Council's Crown Estate Community Led Development Fund. The LAG is planning to review its Strategic Plan and its longer-term funding priorities. There is therefore potential for, or at least an exploration of further alignment of community benefit and governance and so the LAG could potentially be considered as an existing model that could lead on this. An options appraisal should be carried out to decide the best governance and distribution model, with the priorities set through the public consultation discussed above.

If a single Community Benefit Fund was established, this could be widened beyond the renewables sector to include all developments in Orkney, such as housing and aquaculture.

## 8. Conclusion and Recommendations

To ensure Orkney's contribution to renewable energy future is matched by sufficient levels of community wealth building opportunity and is fair and inclusive, we will:

1. Explore the establishment of a **joint development forum**, bringing together key public sector organisations with industry, community leaders and the third sector, to ensure that the Orkney people and economy benefit from the energy transition now taking place, using EmPowering Shetland and the Outer Hebrides' Major Development Forum as possible models.
2. **Engage with the public**, ensuring they have a say in how the renewable sector is developed in Orkney to the benefit of everyone who lives here.
3. **Engage with developers**, across the relevant industries to negotiate these principals and the best outcomes on behalf of Orkney community.
4. **Continue to support the expansion of local and community ownership** of renewable assets.
5. **Produce new developer principles for Orkney** building on existing policy and the lessons from other areas.
6. **Embed community wealth building** via planning policy and developer agreements.
7. **Exploring establishing a unified Orkney Community Benefit Fund** focused on longer term and transformative benefits, to supplement funds for communities in the immediate vicinity of developments. This could include fuel poverty and other local priorities such as islands resilience, climate change adaptation, nature restoration and a just transition,





8. **Ensuring transparency and accountability** in how benefits are distributed, including consultation on the creation of developer principles.

By aligning environmental ambition with social justice, Orkney can lead not only in clean energy, but in community empowerment and resilience.

Written by George Vickers, Community Planning Business Manager, in consultation with the Community Wealth Building Working Group, the Sustainable Development Delivery Group and the Energy and Enterprise Task Group.