



SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA

Community benefits from investment in natural capital

A DISCUSSION PAPER

This paper draws together our current thinking on some of the key questions about community benefits from investment in natural capital. We have proposed a definition of community benefits in this context and a set of expectations about how community benefits should be identified and delivered. For the purposes of this paper, we are referring to investments in natural capital on land.

This is a rapidly developing area and we are keen to hear from those already working in the field to test our thinking. We want to identify realistic but ambitious expectations for how investment in natural capital enhancement, restoration and creation projects can deliver community benefits in addition to wider public benefits and private benefits.

Responses to this paper are welcome and can be sent by email to goodpractice@landcommission.gov.scot before 20 March 2023.

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Background

Analysis from the [Green Finance Institute in 2021](#) identified an estimated £15 billion to £27 billion gap between currently committed investment and the level of investment required in Scotland to deliver nature-based policies in the next 10 years. Scotland's National Strategy for Economic Transformation (NSET) includes a commitment for a public sector partnership to establish a values-led, high-integrity market for responsible private investment in natural capital. As an early step towards this, the Scottish Government has set out further detail on its vision for a values-led, high-integrity market approach for attracting private investment to bridge this investment gap through a set of [Interim Principles for Responsible Investment in Natural Capital](#). This includes:

Investment that delivers public, private and community benefit

- Investment in and use of Scotland's natural capital should create benefits that are shared between public, private and community interests, contributing to a just transition.
- Current investment and future increases in land and ecosystem services value should benefit local communities.
- Investment and management decisions should support Community Wealth Building by reinvesting value in local economies to their long-term benefit.

Our Protocol on [Responsible natural capital and carbon management](#) follows on from the Interim Principles and sets out practical expectations for new and existing landowners and investors within the context of the [Scottish Government's Land Rights and Responsibilities Statement](#) (LRRS). The Protocol states that: "Landowners and managers should work with the local community to identify opportunities to share the benefits from the management of natural capital and carbon with them and to support local priorities and aspirations."

Natural capital projects often involve making permanent changes to land use and management, limiting future change for up to a century or longer, which can have an immediate and lasting impact on the local community. As outlined in the LRRS, "there should be meaningful collaboration and community engagement in decisions about land". It is vital that communities are engaged in decision-making about natural capital projects in a meaningful way and share in the benefits that these projects generate. Community ownership or shared ownership are ways in which benefits to the community can be integrated into a project, however, ownership is not always an option or the right approach for every community or project, and it is important to explore other approaches.

We have been working with investors, landowners, and other key organisations to explore different approaches to delivering community benefits from investment in natural capital. A series of case studies outline some of the broad approaches taken to in delivering community benefits from natural capital. Personalised support is being provided through our [Good Practice Programme](#) for a small number of innovators who want to explore different approaches to community benefits, including shared governance models, financial packages, and local economic development. Working with others involved in this field, we will provide more detailed thought and guidance for policy and practice in mid-2023.

What are community benefits from investment in natural capital?

Used effectively and designed and delivered in conjunction with the community, there is a clear opportunity for investment in natural capital to support the economic and social development of local communities while increasing the attractiveness of a project to investors who seek added value including alignment with their corporate social responsibility strategies. Community benefit packages are voluntary and are not compensation for impacts on communities or other parties.

The term 'community benefits' in this context means different things to different people. In working towards an agreed definition of community benefits, our proposed definition in this context is:

Community benefits are packages of intentional benefits, arising from investment in natural capital enhancement, creation, and restoration projects, provided on a negotiated basis for the long-term benefit of the geographically local community.

This proposed definition has a number of implications which we have discussed further here and which are reflected in the expectations below.

Firstly, community benefits are for the community or communities of place local to, and most affected by, investment in natural capital projects that will have a lasting impact on either local resources or the community itself. We would therefore anticipate that community benefits are not typically delivered across a wide region, although this may be helpful and appropriate for some for large scale projects. Community, in this sense, is not limited to any specific communities of interest (e.g. mountain biking) but may encompass those as part of the wider community.

Secondly, although related, community benefits are different to public benefits and need to be considered distinctly and intentionally as an addition to any public and private benefits that will be, or are intended to be, delivered through the project. Public benefits have a positive impact on the environment or population on a national scale and may be the core purpose of investment, including, for example, clean air or water, biodiversity and carbon sequestration. Community benefits have a positive and direct impact on the local community and could include local jobs, improved infrastructure, or funding for community groups or projects. Agreeing what the community benefits will be with the local community or communities will help to distinguish community benefits from public benefits.



Further, community benefits can include the delivery of a financial return for the community, which will work well in some circumstances (e.g. [Trees for Life](#)), but in the context of natural capital investment projects, it is unlikely that there is a single approach to community benefits that can be applied in all circumstances. Whilst it is common in the renewables sector for a community to receive a set financial return per megawatt of energy generated, the financial modelling for investment in natural capital projects is highly diverse, reflecting uncertainty in the market, different types of project, and different approaches to resourcing projects. For example, carbon credits may deliver a financial return for some natural capital projects, but this is not universal and carbon credits may not prove to bring a predictable financial return.

It may be preferable to deliver community benefits in a way which is tailored to the unique circumstances of each community and each landholding. By working with the local community, in an environment of mutual respect, it may be possible to address local needs and aspirations through the ways in which projects are designed and managed. For example, climate change adaptation and mitigation, allocating surplus land to local housing, procuring services locally, and creating new jobs. The [Community Wealth Building](#) approach may provide inspiration in considering ways to support local economic development. This approach empowers communities and strengthens local economies, keeping wealth where it is generated. It is helpful to also leave room for innovation here and not be prescriptive about what should or should not be included in the packages of community benefits agreed for any particular community.

Is this definition correct and does it provide sufficient clarity?



What do we know about how community benefits are being delivered currently?

Natural capital projects have a long history in the UK and many different approaches have been taken to delivering community benefits alongside the public, private, nature and other environmental benefits involved in the projects. Our findings are drawn from a relatively small number of projects (see [case studies](#)) and engagement with stakeholders, but these provide some helpful learning to shape future approaches.

Community benefits have not always been identified as a specific aim or objective of a natural capital project, but there are many examples of where some form of community benefits have been delivered. Ownership, motivations, financial circumstances, and other factors all impact on the extent and way in which community benefits have been delivered.

The starting point for effective approaches to community benefits is in engaging openly with the community. This can improve support and reduce conflict over projects, making sure any contentious matters are dealt with early on, which is beneficial to both project managers and communities. Potential community benefits can be explored as part of a feasibility study ahead of land purchase and can inform understanding of the financial and other implications of the purchase for investors and communities. Pre-purchase research into how the project will or could align with local plans and priorities and further local development is helpful and can frame discussions with the community. Ultimately, this will help to reduce potential conflict to the mutual benefit of all parties involved.

Collaborations between different types of organisations are often useful, bringing access to different knowledge, skills, and resources and, in some cases, embedding community benefit through shared ownership or decision-making. Landscape-scale projects can require stakeholders to work together – including public, private, charitable and community – which can be complex, but may also deliver greater social, economic and environmental returns. It can be particularly beneficial for projects to be able to access mixed sources of finance to deliver multiple benefits and enable an integrated approach to land management.

What else do we know about how community benefits have been delivered?

What does this tell us about the role of collaboration?

What are the expectations about how community benefits from investment in natural capital should be delivered?

The following expectations are proposed as a way of understanding good practice in this field, building on the earlier proposed definition:

- Community benefits should be delivered to and with the geographically local community that will be affected by, or can influence, the planned natural capital project.
- Community benefits should be considered early-on in project development and integrated into natural capital projects, where possible. The potential costs and opportunities of providing community benefits should be considered when making decisions about the viability and approach to natural capital projects, including the purchase of land for this purpose.
- Community benefits should be rooted in engagement with the community and in an understanding of local needs and priorities. All parties are responsible for creating and maintaining a productive working relationship. Opening dialogue with the community at an early stage to help shape the project and being transparent about decision-making will reduce potential conflicts and assist in identifying opportunities to deliver effective approaches to community benefit.
- Community benefits should be agreed with the local community – using established and constituted community groups where practicable – and aligned with local strategic and development plans, where available. Written agreements are recommended and seeking professional advice may be helpful.
- Community benefits should be a considered and deliberate element of natural capital projects and in addition to the inherent public benefits, such as clean air and water.
- Community benefit should be proportionate to the scale of the project and to the impact of the project on the local community. Where projects will have a larger impact on communities, are operating at scale, or anticipating a high financial return, the community benefit should be greater. Where projects are low impact, smaller and with a low financial return, a lower level of community benefit is anticipated. As projects evolve, these factors may change and community benefit should adjust as needed (e.g. [Trees for Life](#)).
- Community benefit should be clear and identifiable. It should be understood by all parties, monitored and evaluated, with regular public reporting on progress.

**Are these principles correct?
What else do we need to consider?**

Conclusion

This paper considers current thinking on community benefit from natural capital enhancement, restoration, and creation projects. Emerging practice and interviews with key organisations have shaped our thinking and will continue to do so. These innovators are making voluntary commitments to deliver a variety of community benefits, over and above the environmental, public, and private benefits the projects deliver. Taking an integrated approach to community benefits, these leaders should be supported and encouraged to innovate and to share their thinking and progress.

We need also to understand how we can best encourage and support further responsible practice and how expectations of community benefit can be most effectively and usefully embedded in practice. There is some market-led encouragement of socially responsible approaches (through realisation of higher carbon credit prices for responsible practice) and scrutiny from the media and consumers over the honesty of environmental and social claims made. In time, market frameworks and verification processes will develop and it is important to ensure these develop in a way which supports the wider outcomes sought from investment in natural capital projects.

How can responsible good practice be supported and encouraged?

Our Good Practice Programme can provide advice and support for those who wish to explore these questions further.

Readers are invited to submit comments before 20 March 2023 by email to goodpractice@landcommission.gov.scot.





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