



Compensation schemes and distributive fairness in wind energy projects

Danish experiences in applying
compensation schemes

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Agenda

- Introduction to three Danish Compensation Schemes
 - Purpose
 - Their characteristics
 - Rationale
 - Research question
- Theoretical Framework
 - Law and social change
 - Local acceptance
 - The functioning of compensation schemes
- Results

Three Danish Compensation Schemes in the Act on renewable energy (2009)

The three compensations schemes

- The Value-Loss Scheme
- The Co-ownership Scheme
- The Green Scheme (fund)

The purpose

Increase local acceptance and reduce local opposition towards wind projects

Value-loss scheme

- Compensation of loss of property value of dwellings, exceeding 1%
- Developer pays
- Neighbours submit a claim after public meeting parallel to EIA procedure in the planning phase
- Valuation authority prepare individual assessments (or agreement with developer)
- € 500 payment fee for dwellings located more than 6 x turbine height away
- Appeal to court (against developer), tendency that courts increase level of compensation

Co-ownership scheme (option to purchase shares)

- Developer shall offer 20% of ownership shares at cost price to local citizens
- Who?
 - local citizens above 18 years, permanent address, < 4,5 km from site, preferential right to 50 shares
 - Local citizens in the municipality,
 - Developer dispose freely of the remaining shares
- Developer lead process
- Timing: Offer for sale after building permits are granted and before grid connection
- Cost price about € 4-500 per share

Green Scheme (community benefit)

- Grants to enhancements of local landscape and recreational values, cultural and information activities in local associations
- Paid by energy consumers through energy tax
- Approximately € 12,000 per MW installed effect or € 36,000 per 3 MW installed wind turbine.
- Municipalities act as the mediator. Select among local projects and apply for the grants to the administrator, Energinet.dk
- Timing: Final grant paid after grid connection.
- The local procedure is not regulated

Rationale

Three monetary proactive schemes

Value-loss – individual compensation

Co-ownership – individual benefit

Green scheme – community benefits (compensation)

Instrumental monetary rationale

Monetary compensation and benefits -> **redress the imbalance between distribution of benefits and burdens** -> **distributive fairness** -> increase local acceptance

Is it that simple? Theoretical perspectives

The notion of local acceptance

Local citizens positive attitudes towards a wind energy project or siting of a project (Upham, 2015; Perlaviciute and Steg, 2014; Wolsink, 2012)

Social change by law

Attitude change by law – difficult (Baier and Svensson, 2009,163-4)

Potential of schemes might be to influence change in behavior and social norms for perceived distributive fairness. Successful implementation depend on,

- Correspondence between rationality of schemes and the social norms on distributive fairness regarding wind energy projects (Hydén and Svensson, 2008, 27- 29)
- General factors in the field of regulation such as the actors, the legal, economical and political context (Dalberg-Larsen and Kristiansen, 2014, 266-68)
- Gaps between “law in practice” and “law in books”, as well as unexpected effects

Research Question

- How do the three Danish compensation schemes influence distributive fairness from local citizens' perspectives?

Theoretical Framework

Distributive fairness is an individual judgment on the equitable distribution of the outcome, which are both benefits and burdens related to a wind energy project.

Aspects: Local physical impacts vs. regional climate benefits, distribution of profit between developer and community, regional distribution of projects

Distributive fairness one amongst many factors influencing local acceptance



Theoretical framework

Function and Success of Compensation Schemes

- Community benefit schemes are challenged in practice
- Bribery -> counterproductive effect on acceptance
- Project related factors: procedural fairness and trust in authorities and developer influence perception of schemes (Aitken, 2010; Cass et al., 2010)
- Scheme related factors: the procedure, the outcome and the social consequences of schemes e.g. split communities that cause people to withdraw from local engagements (Markantoni and Aitken, 2016)

The role of schemes in relation to distributive fairness depend on a multitude of intertwined contextual factors influencing peoples perceptions of the schemes

Results: Distributive **unfairness** in wind energy projects?

“I don’t mind people do their business. But I do mind that it affect me and my home. He invades my private sphere”

“Someone makes money but others pay the price. It should not hurt anybody. It should not be necessary. It could be done in a better way. Without all that greed”

Developer and landowners earn huge profits while local citizens bear the adverse impacts such as

- Loss of property value, being tied to the homes
- Disturbed nature values e.g. windbreaks and landscapes
- Physical and mental well-being: annoyances from noise such as sleep disturbance, view, flickering, fear of risk to health, disturbed restoration in their home and outdoor space and disturbed place identity, place attachment, being stepped on and infringed, powerlessness, anger, divided communities. strife

Results: Distributive **unfairness** in wind energy projects?

“ I am tired of getting nothing out of it. We have our house for sale, but we may expect to stay till we are carried out”

“We have had one shadowing experience. That was strange – light and dark, light and dark while I was scrubbing potatoes. You may get creasy from it”

“When we sit outside on our terrace and eat I find it stressing”

“It’s like a helicopter. I say to myself now you got to sleep”

“We sat outside and drink coffee and I went inside to turn the radio on to drown the noise, but I couldn’t. And I used to love the peace out here...”

“We turn our backs to them, but then we suddenly see them turning mirrored in the other window”



Results: Distributive **fairness** in wind energy projects?

Local developers make large profit, but provide “extra” benefits to the local community. This allows the community to initiate projects with long term perspectives e.g. multi-house for kinder garden and cultural activities and a lake for swimming.

How do compensation schemes influence distributive fairness?

Value-loss

- Size of compensation too low to allow local citizens to sell without loss, thus they are tied to the property
- *"The compensation we got does not reflect the loss of this property if it was to be sold"*
- Unfair to assess value-loss before establishment
- Unfair to charge fee on value-loss claims -> some do not claim
- The compensation cannot stand alone, but together with option-to buy and green scheme grants the package of schemes are reasonable.

"I claimed and got € 20.000, and I would love to pay them back, if I could get rid of the wind turbines"

"It's bribery"

Co-ownership scheme

- Immoral scheme, *"it was announced in the newspaper, but I felt tread on, and would never feel good about investing in that"*
- *"We bought shares as a kind of self-defense"*
- *"I bought shares to get insights into the project, there is so many rumors.."*
- *"Very few shares were sold, primarily because the return was minimal, something like 1,5 %"*
- Share holding is only for local citizens with liquidity. It creates envy, and new winners and losers
- Unfair distribution of shares. Some speculated and *"used straw men"*. Shares were concentrated on few shareholders also outside the local community.
- *"Developer is professional and uses tactless methods"*

Green scheme

Who should benefit? Community around site or further away

Mistrust in municipalities (politicians) administration

Grants too small to influence long term community development

Good for the local associations benefitting

To conclude about how compensation schemes influence the balance between burdens and benefits?

One perspective of local citizens:

Expected that schemes deal with the issue of distributive fairness based on societal standards of equity and need.

Reality: Some local citizens, cannot get away from their property and their physical and mental well being disturbed

Conclusion: Schemes are not fulfilling their purpose 1) Schemes insufficient in addressing the monetary burdens on local citizens and 2) schemes do not address the non-monetary burdens at all.

Another perspective:

As a package – the three schemes are a reasonable compensation, in the light of a wind turbine project adding extra benefits that is turned into local development. **Active citizens in one case study**. Shareholding allow local citizens insights into the project. **Small local investors**.

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Thank you for listening

