

Compensation

Definition

Compensation is often an important aspect of major infrastructure projects. Traditional forms of compensation are financial payments made for either a change in ownership, a loss of earnings or to gain the appropriate rights of way for a piece of land. This type of “land owner” compensation is usually strictly defined by national planning regulations, which stipulate the legal process, minimum amounts and the rights of the landowner. Compensation in this regard can either be defined as voluntary or by compulsion, with the latter meaning the forced sale of the land.

Contrasted with landowner compensation is the idea of “community compensation” or “community payments”. These payments can be seen as a way to both increase local support and supply the appropriate gain to communities that host vital infrastructure.

Community compensation

Community compensation relates to payments to individuals, groups or authorities that are not *directly* impacted by the development, but instead are hosting the infrastructure more generally. Such examples have included:

- Proximity Payments: A once off payment to owners of occupied residential properties (or sites with full planning permission) that are located within a certain distance of the project.
- Community Payments: A once off community payment is made to the local municipality on completion of the new line and/or rural transmission station. Projects of community interest (such as the rehabilitation of woodland footpaths) are then identified by a mixed panel of decision makers.
- Environmental and community partnerships: Partnerships and common projects with community groups and NGOs can be set up on an ad-hoc basis as part of TSO’s CSR activities.

Practices across Europe

Across Europe, there exists a range of different schemes to compensate non-landowners and communities. Some countries, such as Germany, give the option for TSOs to give money to the municipality, but play very little role in how it is spent. In Italy, the municipality can stipulate certain projects when giving consent to a project (such as fixing street lights etc.). Whilst in Ireland, the TSO has set up a “community gain” package, which works with communities to fund projects that are decided on collaboratively. The difference between these practices is large, with currently very little coordination or consistency within Europe.

Challenges faced

Although there has been some movement towards a more broadly defined definition of compensation, several challenges remain. Issues of transparency in broadening the definition of

compensation, especially when it involves financial transfers, can lead to the charge that the TSO is trying to bribe the public and buy acceptance. Also, the setting of legal precedent in regards to “compensating” people or groups that do not suffer a direct loss could become problematic for TSOs. Technical questions of how these funds should be dispensed and organised also arise. Who controls how the money is received and spent is important and can disrupt local relationships and structures of power.

Work of RGI

RGI has been working to gain consensus on a set of principles that would act as good practice guidance for high quality community compensation practices. With the assent of TSOs, NGOs and authorities to these set of principles, community compensation could start to be seen as an effective, just and transparent way to spread the benefits of electricity grid development projects, whilst improving both the public acceptance of individual projects and improving the reputation of the TSO involved over the long term.

More information

- Examples of community compensation from [Ireland](#) and [Germany](#)
- World Bank [report](#) on compensation and compulsory acquisition

Contact

Andrew Carryer, andrew@renewables-grid.eu

