Sharing the Benefits

Ensuring new industries strengthen communities

Mara Hammerle, Esther Koh & Toby Phillips

CENTRE FOR POLICY DEVELOPMENT

About CPD

The Centre for Policy Development (CPD) is an independent, not-for-profit policy institute with staff in Sydney, Melbourne, Canberra and Jakarta.

Our vision is a fair, sustainable society and wellbeing economy that serves current and future generations in Australia and Southeast Asia.

Our mission is to help create transformative systems change through practical solutions to complex policy challenges. We tackle the hard questions, working towards change that is systemic and long-term.

Through our work, we aim to contribute to governments that are coordinated, collaborative, and effective, with an eye to both the near and longer term. We strive to build a social services system that helps people and communities to thrive now and in the future, and drive shifts in policy making practice with a focus on wellbeing and sustainability rather than primarily economic growth.

CPD uses a distinctive Create-Connect-Convince method to influence government policy making. More information about CPD is available at cpd.org.au

We acknowledge and celebrate Australia's First Peoples.

Published by the Centre for Policy Development

Cite this paper as: Mara Hammerle, Esther Koh and Toby Phillips (2025) *Sharing the Benefits: Ensuring new industries strengthen communities*, Centre for Policy Development.

Table of Contents

Acknowledgements

The authors would like to acknowledge the contributions and helpful feedback from Dan Sherrell, Katie Hepworth, Jonathan Kneebone, Amanda Cahill, Jonathan Pickering, Ryan Martin, Cliff Eberly, and the team at RE-Alliance. This report does not reflect their views, but it benefited from their insights.

Executive summary

Australia's industries and energy systems must undergo an unprecedented transition to meet the target of net zero by 2050 and compete in a changing global economy.

Progress has been too slow and community resistance is causing significant costs and delays. Pivotal to the transition's success is the ability of governments, developers, and other stakeholders to ensure it strengthens, rather than weakens, local and First Nations communities.

The transition is disruptive, especially for communities slated to host new industries and energy infrastructure. But we have designed a mechanism to ensure the benefits and costs are equitably shared so the burden of transition doesn't fall unfairly on their shoulders.

With a wide range of government support for the transition on the table under the government's Future Made in Australia (FMIA) agenda, this report argues that all projects backed by government funding should ensure communities flourish as they undergo critical change. This will build the social licence for projects to deliver a low-carbon future. It will boost momentum, raise ambition and provide a triple win for developers, communities and the nation.

We have developed a framework for structuring government funding to ensure communities benefit. In short, businesses that offer greater community benefits would be eligible for more public support.

Our framework focuses on applying FMIA's Community Benefit Principles to the Hydrogen Production Tax Incentive and the Critical Minerals Production Tax Incentive – two measures that were introduced to assist first-movers in strategically important industries. The framework can also be extended to assess other support under the transition agenda and funding through specialist investment vehicles such as the Clean Energy Finance Corporation, the Australian Renewable Energy Agency, and the National Reconstruction Fund.

The framework is based on four key design considerations:

- Industry viability: After accounting for the Community Benefit Principles, the projects must still be able to bridge the costs of production (including the "grey discount") and make a profit.
- Agency/voice: Communities must benefit from projects in ways that are aligned with their needs and preferences.
- Simplicity: The process of applying for and complying with the Community Benefit Principles should be clear and consistent.
- Positive-sum engagement: In the best-case scenario, activities benefit the community *and* increase returns for the firm.

To qualify for higher tax credits, businesses must satisfy increasingly more challenging criteria that align with each Community Benefit Principle:

Principle 1 – Promote safe, secure and well-paid jobs: To qualify for the highest level of support, businesses should:

- have clean work health and safety records;
- have low levels of insecurity in the workforce;
- participate in a regional Energy Industry Jobs Plan (if applicable); and
- create good well-paid jobs.

Principle 2 – Develop more skilled and inclusive workforces: To qualify for the highest level of support, businesses should:

- employ apprentices; and
- make efforts to engage female and gender-diverse apprentices.

Principle 3 – Achieve positive outcomes for local communities, including First Nations: To qualify for the highest level of support, businesses should:

- develop a community engagement plan;
- adhere to the principle of free, prior and informed consent for First Nations communities;
- provide payments for projects and initiatives; and
- ensure economic participation by First Nations communities.

Principle 4 – Strengthen domestic industrial capabilities: To qualify for the highest level of support, businesses should, where practical, use local content in their projects.

Alternative option for highest level of FMIA support – community co-ownership: Satisfying each of the four principles is challenging, particularly for nascent industries like renewable hydrogen and critical minerals processing. Recognising this, our framework offers an alternative option for companies – to secure at least 20% community co-ownership for their projects.

The framework in this report can be applied to ensure that the transition to net zero revitalises local economies and empowers communities and First Nations peoples. When communities are on board, everyone benefits.

Community Benefit Principles

The Future Made in Australia (FMIA) legislation includes five Community Benefit Principles that should be considered when determining government support for a project.

The principles are:

1) Promoting safe and secure jobs that are well paid and have good conditions;
2) Developing more skilled and inclusive workforces, including by investing in training and skills development and broadening opportunities for workforce participation;
3) Engaging collaboratively with and achieving positive outcomes for local communities, such as First Nations communities and communities directly affected by the transition to net zero;
    3a) Supporting First Nations communities and traditional owners to participate in, and share the benefits of, the transition to net zero;
4) Strengthening domestic industrial capabilities including through stronger local supply chains; and
5) Demonstrating transparency and compliance in relation to the management of tax affairs, including benefits received under FMIA supports

There is nothing new in policymakers calling for businesses to benefit communities near their projects. Environmental protection and development approval frameworks by federal and state governments in Australia often require developers to engage with communities in specific ways. Funding decisions under Hydrogen Headstart, for example, consider the potential to provide employment opportunities and business for local suppliers. The Capacity Investment Scheme considers similar merit criteria when evaluating projects. Projects may be rejected if they fail to engage with local communities and First Nations communities and create social value.

There can be considerable benefits to everyone involved when companies that receive public funding are required to benefit communities and develop local supply chains. Communities gain from engagement, co-design and programs that share benefits with current and future generations. Projects that involve First Nations communities have faster project development cycles, increased access to capital, and reduced costs of project development by engaging local workforces and businesses.[1]

The high-level articulation of community benefits in the FMIA legislation presents the Commonwealth Government with the opportunity to develop a single view of what community benefits look like that can be applied across many policy areas — from industry tax credits to transmission infrastructure projects.

Box 1. Case study – Culcairn Solar Farm provides community benefits[2]

The 350MW Culcairn solar farm and battery storage project under construction in the Riverina Region of New South Wales is being developed by the renewable energy producer Neoen. It has won a Long-Term Energy Service Agreement (LTESA) from the NSW Government, which favours project proponents that satisfy community benefit criteria.

Neoen is delivering a range of community benefits through this project, including:

- Working with the Dyiraamalang Girbang Elders to produce a Cultural Induction Video that explains the importance of Country and preserving cultural heritage. The video is used for inducting jobseekers and suppliers working on the farm to the site.
- Collaborating with registered First Nations parties to produce an Australian Industry Participation Plan for the solar farm, committing Neoen to benefit-sharing measures and employment targets.
    - This includes a training program to upskill local First Nations people in cultural heritage management.
- Regularly communicating with First Nations communities, including through engagement meetings and ongoing reporting to Dyiraamalang Girbang Elders.
- Contributing $10 million to local communities over the project's lifetime, including through:
    - A Construction Disruption Payment to qualifying neighbours
    - $150,000 annually for local community projects; and
    - $150,000 annually to the Greater Hume Shire Council's Voluntary Planning Agreement.

Community Benefit Principles should be win-win

Table 1 sets out four considerations that CPD views as essential to the application of Community Benefit Principles. These principles have been designed to ensure, as far as possible, that community benefits are a win-win.

The primary purposes of FMIA support are to develop new, viable industries aligned with Australia's national interest and generate long-term benefits for local communities and broader society. Profits are less certain for nascent industries, like critical mineral processing and renewable hydrogen, than for more developed industries such as grid-scale solar and wind. The first movers in these nascent industries face much higher costs than those who follow later, and government support is particularly important to bridge the "grey discount" – the lower costs that carbon-intensive industries enjoy due to under-pricing of the social and environmental costs of emissions. To enable the development of these nascent industries, businesses must receive a considerable net benefit after accounting for any costs of providing community benefits.

Other important considerations for applying the Community Benefit Principles are that local communities should have opportunities to shape the benefits for their region, and that the process should be administratively simple and relatively easy for government administrators and participating businesses to follow. Ideally, the application of Community Benefit Principles would focus on activities that benefit both firms and communities. Meaningful engagement with communities on new projects, for example, can ensure that locals feel heard, and also limit disruption due to community backlash.

These considerations – and the framework that follows – have principally been designed to apply to FMIA tax credits, including the Hydrogen Production Tax Incentive (HPTI) and the Critical Minerals Production Tax Incentive (CMPTI). They are also broadly relevant to other types of FMIA support and energy sector supports. Although this does not yet exist, the principles would also be applicable for including social conditionalities in grants offered by the Australian Renewable Energy Agency (ARENA) beyond the FMIA Innovation Fund, and funding by the Clean Energy Finance Corporation (CEFC). Boxes 1 and 2 discuss examples of how Community Benefit Principles could be applied outside of the FMIA tax credits.

Table 1: Considerations for applying Community Benefit Principles

Design consideration	Description	Recommendations
Industry viability	After accounting for the cost of providing community benefits, the projects must still be able to bridge the costs of production (including the grey discount) and feasibly make a profit.	The extra costs to businesses of adhering to the Community Benefit Principles should not exceed the monetary support provided by the government. Businesses should not incur greater costs than benefits by moving to a higher level of the framework (and receiving more government support).
Agency/voice	Communities must benefit from projects in ways that are aligned with their specific needs and preferences.	Communities should be seen as partners in project development and, by sharing information and feedback, should be able to contribute to the success of projects. To qualify for FMIA support, companies should be required to engage with and respond to feedback from communities, through mechanisms such as committees set up by local government or community leaders. The criteria should also not be overly prescriptive. For example, there should be no specific requirement for businesses to construct more housing; this should instead be decided by the community.
Simplicity	The process of applying for and complying with the Community Benefit Principles should be clear and consistent across projects that receive tax credits.	Government administrators will need binary eligibility criteria to apply the Community Benefit Principles to tax credits. For other types of FMIA support (e.g., grants from ARENA), the application of the principles could be more flexible and based on judgment. The criteria should be quantitative, making it easier for tax administrators to assess a business's eligibility for FMIA support and for businesses to accurately forecast their expected tax credits.
Positive-sum engagement	In the best case scenario, activities benefit the community *and* increase returns for the firm.	The application of the Community Benefit Principles should prioritise activities that benefit both communities and firms. For example, engaging communities as genuine partners in decision-making can ensure community members feel listened to and respected. This increases the likelihood they will support the project, contributes to a greater flow of investment and reduces time spent in long negotiations.

A framework for applying Community Benefit Principles

We propose a framework – see Figure 1 – with three levels of incentives for businesses depending on the extent that their projects advantage the broader community. This framework is primarily designed for the FMIA Hydrogen Production Tax Incentive and Critical Minerals Production Tax Incentive. We suggest the three levels could correspond to 20%, 60% and 100% of the maximum possible tax credit, however the Department of Industry, Science and Resources should calibrate these levels based on their more detailed analysis of industry and community needs.

To qualify for different levels of support, businesses must satisfy all the criteria listed under that level in Figure 1. The framework has been designed with a low entry point – compliance with work, health and safety (WHS) standards and legitimate community engagement – for projects to at least get some support, with escalating incentives for projects that provide more significant community benefits.

The framework includes an option, community co-ownership, that businesses can satisfy to automatically receive the highest level of tax incentives without satisfying any other criteria, apart from engaging relevant stakeholders in decision-making across the project cycle. We include this option because of the inherent uncertainty around the business models, value chains, and profitability of new industries. There may be special circumstances that make it impractical for a project to comply with all the other criteria (e.g., perhaps a specialised project cannot make use of apprentices or requires inputs for which there are no domestic suppliers). Other projects may be too small and marginal to resource additional engagement, but could still invite co-ownership from the community. Including this option provides greater flexibility to businesses in nascent industries while still benefitting local communities.

Figure 1: Framework for applying Community Benefit Principles

	Option 1			Option 2
Principles	**Level 1 – 20%**	**Level 2 – 60%**	**Level 3 – 100%**	**Level 3 – 100%**
Promote safe, secure and well-paid jobs	WHS compliance	+ Stable employment + Participate in Energy Industry Jobs Plan (if applicable)	+ Well-paid jobs	**Positive outcomes for communities:** Community co-ownership (at least 20%) and community engagement
Develop more skilled and inclusive workforces		Apprenticeships	+ Gender diverse apprenticeships	
Achieve positive outcomes for local communities, including First Nations	Community engagement	+ Community benefit funds	+ First Nations economic participation	
Strengthen domestic industrial capabilities			Local content (if applicable)	

Note: To qualify for a given level of support, businesses must satisfy all the criteria under that level plus levels below it.

Box 2. Non-financial considerations in NEM reform

The 2025 review of the National Electricity Market wholesale settings has proposed a new government initiative – the Electricity Services Entry Mechanism (ESEM) – to de-risk investments in new energy infrastructure by providing a central buyer of long-term energy contracts.

The proposed design of the ESEM is primarily based on financial factors including the perceived need to address the timing gap between the short-term contracts that retailers prefer and the long-term contracts that power generators need to secure finance. Additionally, the implementation of the ESEM should ensure that energy infrastructure projects deliver strong community benefits.

Alongside price-based assessment, the selection of projects should favour proponents that provide benefits such as apprenticeships, community benefit funds, and engage meaningfully with First Nations and local communities. These types of benefits could be part of pre-qualification gateway criteria that determine whether or not a proponent is eligible to participate in ESEM auctions. Alternatively, there could be some proponent-level factors such as a clean WHS record that are part of the gateway criteria, with more nuanced project-level factors influencing decisions about which proponents win contracts.

Our proposed framework covers all FMIA Community Benefit Principles apart from: "*5) demonstrate transparency and compliance in relation to the management of tax affairs, including benefits received under Future Made in Australia supports*". Aligned with the Explanatory Memorandum for the *Future Made in Australia Bill 2024*, we encourage the government to require businesses to provide a Statement of Tax Record to show evidence of compliance with tax laws. Additionally, multinational corporations should be required to provide annual reports to the government to demonstrate compliance with specific tax conditions based on current guidelines for foreign investment.[3]

Businesses should also be required to provide regular public and transparent reports on how they have satisfied the criteria. This could easily be done as part of a company's annual financial report.

Principle 1: Promote safe, secure and well-paid jobs

In the FMIA legislation, this principle has three benefits:

1. safe jobs;
2. secure jobs;
3. well-paid jobs.

We use this as a starting point for our own framework to determine what expectations are reasonable of firms that receive government support. Our goal for this first principle is that new firms create employment opportunities that are genuinely *good jobs*. If communities have access to good jobs – safe, secure, and well-paid – then they will naturally benefit from new industries.

Safe jobs: To qualify for all levels of government support, businesses should be required to produce documentation showing they have not breached any work health and safety provisions for the past five years or since they have been incorporated (whichever is shortest), to satisfy the "WHS compliance" criterion in Figure 1.[4]

Stable employment: A stable and secure job means that a worker has a consistent and predictable income and a regular work schedule. One indicator for secure work is the percentage of employees that have a guaranteed minimum number of hours per week. To satisfy the "stable employment" criterion and receive the higher levels of the tax credits, we propose projects receiving tax credits should provide a workplace where employees have certainty over their hours (and incomes).

Relevant data on how many workers have guaranteed minimum hours in different industries is captured through the Australian Bureau of Statistics' Characteristics of Employment surveys. Renewable hydrogen production and critical minerals processing are similar, respectively, to ANZSIC subdivisions 18 (Basic Chemical and Chemical Product Manufacturing) and 21 (Primary Metal and Metal Manufacturing). Based on the industry percentages in the Characteristics of Employment surveys, 90% or more of workers on critical mineral processing projects and 85% or more on renewable hydrogen projects should have guaranteed minimum hours for businesses to receive higher levels of the tax credits.[5] Through the consultation process, the government should invite submissions about the validity of these benchmarks as well as on specific product groups — e.g., types of critical minerals — as some products may justify somewhat different benchmarks.

Energy Industry Jobs Plan participation: The Commonwealth's Energy Industry Jobs Plan (EIJP) supports the transition of workers out of closing fossil fuel industries in particular communities of interest (as identified by the Net Zero Economy Authority, NZEA, and the Fair Work Commission). Under the EIJP, local businesses can become a 'receiving employer', which means they have expressed interest in offering jobs to suitable employees from closing employers (i.e., coal or gas power stations) or dependent employers in the supply chain. We propose that in order to receive level 2 or level 3 government supports, firms must engage with the NZEA with the aim of becoming a 'receiving employer'. We suggest this criterion only be required *if applicable* when the following two conditions are met: (1) the project is in an EIJP community of interest, and (2) the NZEA has determined that the project has jobs that are an appropriate match for EIJP-supported workers. If a new project has engaged in good faith with the NZEA, but the NZEA has nonetheless determined they are not a good fit as a 'receiving employer', that should not prevent the project receiving higher levels of government support.

Well-paid jobs: To receive the highest level of support, workers should receive wages and benefits that support a good standard of living. In Canada, to receive the full tax credits for clean economy investments, employers must compensate workers based on the most recent multi-employer agreement with a trade union that covers the worker's trade and geographic location. If no such agreement exists, then workers must be compensated with the wages and benefits under the collective agreement most closely aligned with the workers' experience, responsibilities and location.[6] In the US, beneficiaries of the Inflation Reduction Act may receive increased tax credits if they satisfy specific wage requirements based on guidance by the US Department of Treasury and the Internal Revenue Service.[7] At a minimum, projects that receive tax credits through FMIA should pay their workers the median wage (or better) for the relevant geographic area, such as the ABS SA4 (Statistical Area Level 4).

Principle 2: Develop more skilled and inclusive workforces

There are growing skills shortages in many of the trades necessary to support thriving clean industries.[8] A recent report estimates there will be a shortfall of around 100,000 electricians by 2050 in Australia.[9] In response, the Australian Government has developed initiatives like the New Energy Apprenticeships Program and the Australian Skills Guarantee targets for major construction and ICT projects. The government has also begun to embed these initiatives in specific policies including the merit criteria for the Capacity Investment Scheme tenders 3 and 4.

To support the growth of relevant skills and capacity in future workforces, government initiatives are encouraging the use of apprentices. Construction of Barangaroo in Sydney for example had a strong focus on structured training, with a target of 20% of all skilled trade work being carried out by apprentices.[10] We recommend that businesses should satisfy specific targets for both the construction and operation phases of a project if they are to receive significant government support (i.e., 60%+ of FMIA production tax credits).

- <u>Construction phase:</u> Satisfying the "apprenticeships" criterion in Figure 1 should mean that businesses hire apprentices to complete at least 10% of all labour hours for the construction, alteration and repair of projects to receive higher levels of support. The 10% threshold for the construction stages of a project aligns with the Australian Skills Guarantee as well as with similar policies in Canada and the United States. Some support – such as the Hydrogen Production Tax Incentive (HPTI) and Critical Minerals Production Tax Incentive (CMPTI) – will be provided to firms many years after the project is first constructed. For these incentives, the apprenticeship threshold of 10% should apply to any capital works (including alteration and repair) carried out during the years when an incentive is available.
- <u>Operation phase:</u> To satisfy the "apprenticeships" criterion, businesses should also ensure that 5% of the labour hours for the operations stage are completed by apprentices. In Australia, construction is easily the biggest industry for apprenticeship commencements and there are currently insufficient apprentices to meet demand.[11] Nevertheless, important trades where apprentices can play a role across both operations and construction include electrical work, engineering, plumbing and process operations. In the renewable hydrogen sector, trades such as fuel cell technicians, electrical and instrumentation technicians, mechanical fitters, and electricians complete apprenticeship-based training and are needed for operations and maintenance.[12]

While not all jobs in the renewable hydrogen and critical minerals processing industries require apprenticeship-based training, there are considerable gender disparities in trades. To address these longstanding disparities, businesses should be required to ensure that certain percentages of labour hours are completed by female or gender diverse apprentices (the "gender diverse apprenticeships" criterion) to receive the highest level of support. Based on the Australian Skills Guarantee, women would complete at least 7% of all apprentice labour hours. The Commonwealth Government requires suppliers of major construction projects (over $10 million) to meet two relevant targets:

1. an overarching apprentice target for women of 7% in FY2026;
2. a trade-specific apprentice target of 5% in each trade in FY2026.[13]

These targets increase by one percentage point each year until 2030.

Achieving apprenticeship targets can be challenging for businesses given existing regional capacity constraints and competing pressures on local workforces and employment pathways. Therefore, the government may need to support proponents to satisfy these targets. Currently, women represent only 8% of all apprentices in male-dominated trades such as mining and construction,[14] meaning that many businesses will (by definition) train less than this percentage and will struggle to source sufficient female apprentices to comply with a 7% target. While women are increasingly entering these types of apprenticeships, the Community Benefit Principles criteria for government supports can demand firms create more of these pathways. The government procurement requirements as part of the Australian Skills Guarantee provide a good starting point, but specific parameters should be the subject of consultation with industry and union stakeholders.

Principle 3: Achieve positive outcomes for local communities, including First Nations

In our framework summarised in Figure 1 we present three levels of Community Benefit Principles, corresponding to different amounts of tax credit. For each level we suggest that governments require increasingly more significant positive outcomes for local communities. At the lowest level, this can be through engagement and co-design, at the second level we suggest the creation of community benefit funds, and at the highest level we suggest proponents should ensure a high degree of economic benefit for First Nations communities.

Engagement with local communities and First Nations groups

Projects should collaborate and build trust with the local community and other relevant stakeholders. Both communities and developers benefit from companies engaging effectively with communities. Communities will be more likely to support a project if they feel their participation is meaningful, and this creates space for better development outcomes including faster approvals.

Community engagement plans

To access support, businesses should develop and implement a community engagement plan. The "community engagement" criterion in Figure 1 should be required for all levels of government support. Businesses should construct the plan with local stakeholders including First Nations communities.

Engagement of communities should start at the earliest stages of a project, well before applying for permit approvals.[15] Mutually beneficial engagement requires adequate resourcing and capability in both firms and communities. Where community members are engaging deeply in the process, for example by attending workshops and design meetings, they could be compensated for their time and expertise.

The community engagement plan should include content such as:

- How the business will engage communities in a way that aligns at a minimum with the "involve" level of participation based on the IAP2 (International Association for Public Participation) Spectrum:[16]
    - Setting clear roles and expectations about the community's level of engagement and influence will help to enhance transparency and foster trust.
    - The "involve" level requires businesses to "work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered".
    - Requiring businesses to demonstrate evidence of "involve" level participation will mean projects go beyond simply

informing and consulting communities.
    - This component of the engagement plan should include a timeline for community engagement activities.
    - The Capacity Investment Scheme (CIS) at the Commonwealth level and the Victorian Renewable Energy Target (VRET) auction 2, which provide funding for the renewable energy roll-out, both favour projects that can demonstrate "involve" level participation.
- How the business will obtain feedback from the community and other stakeholders on their project:
    - Consultations should involve relevant civil society organisations, First Nations communities (e.g., Aboriginal Community Controlled Organisations and Aboriginal Land Councils), and local governments.
    - Developers should identify key groups of affected stakeholders, including households and landowners, local authorities, and community leaders, and identify how they will engage with each of these groups.
    - Developers should establish both online and offline platforms to collect feedback, answer questions and provide regular updates on project progress. The chosen platform should be designed to support inclusion and agency.
- How the views of local communities are reflected in decision-making:
    - FMIA incentives provided to projects before they commence construction should include steps to engage with local residents on site selection.
    - Developers should communicate transparently about the ideas and suggestions they receive, and whether they will be acted upon.
- How project proponents will build deep knowledge of local stakeholders, communities, and the geographical landscape:
    - Project developers should be able to demonstrate that their knowledge is based on genuine engagement such as fieldwork, focus groups, town hall meetings or interviews.
    - Proponents should recognise and incorporate local knowledge and expertise.
- Steps that will be taken to mitigate adverse impacts on the local community.

Many other government policy frameworks also require project proponents to engage with the local community – this is true of the general planning frameworks of some states including South Australia, as well as several programs that encourage investment in renewables such as the CIS, NSW Long-Term Energy Service Agreements (LTESA) and VRET auctions.[17] Where these requirements already align with the objectives outlined above, the FMIA assessment should avoid imposing additional administrative overheads on the proponent (and the ATO who must process claims for tax credits). The fact that a project was successful in a VRET2 auction, for instance, or the fact that a project was subject to South Australia's Community Engagement Charter, could itself be evidence that it has a robust community engagement plan, sufficient to meet the baseline criteria to access FMIA funding.

First Nations engagement

As part of the baseline community engagement plan, businesses should include insights into how they will engage and benefit First Nations communities. This should be based on the principles of free, prior and informed consent (FPIC) and be informed by existing guidelines such as the First Nations Clean Energy Network best practice guides, Clean Energy Council's Leading Practice Principles and the Commonwealth Department of Climate Change, Energy, the Environment and Water's principles for FPIC.[18] Plans should include strategies for protecting cultural heritage, complying with land rights and native title, and including Traditional Owners and First Nations communities in decision-making processes. Project proponents who have recent convictions under anti-discrimination or cultural heritage laws should be ineligible for FMIA support, including tax incentives.

FPIC is an internationally acknowledged concept and is an ethical obligation that enables the participation in decision-making of First Nations peoples. Applying FPIC in this context would mean that:[19]

- First Nations people can contribute to decision-making about the project free from force, intimidation, manipulation or coercion.
- No decisions are expected before First Nations people have sufficient time to engage.
- Businesses provide First Nations people with accessible and comprehensible information to contribute to decisions.
- Projects seek consent from First Nations communities. Businesses should be required to at least provide evidence that First Nations communities approve the site selection.[20]

Regional planning

Governments can play an important role in ensuring that new developments contribute to a long-term vision of a regional prosperity. Economic transition is disruptive, and this disruption can be eased when community members and leaders have a common purpose and vision for where the transition is going. Investing in region level economic development planning can provide this guiding vision, increasing social license and building support for new developments.

State and federal governments should provide funding for communities to conduct an independent, early and coordinated process of regional planning before businesses start planning their projects. Communities can be unclear on what they will need to manage the impacts of development, what their rights are and what they can ask for. Regional planning can address these needs and reduce consultation fatigue. If communities have a plan up front, with priorities identified early in the process, it is easier to tailor project benefits to the needs and preferences of local communities. This can mean that not every company has to do a full consultation, which can be expensive and create conflict between stakeholders.

Different models of engagement with communities have been proposed, and we see merit in the Local Energy Hubs model to provide information and support to local communities, as well as regional benefit sharing models to aggregate benefits from energy projects in the same geographical area.[21] The Net Zero Economy Authority could contribute to the development of economic transition roadmaps by providing an framework and methodology for what "good" transition planning should look like. In the most impacted regions, the NZEA could also play a key role directly resourcing the development of their roadmaps and coordinating actions. The Just Transition Mechanism in the European Union raises and directs funds to fossil-fuel-exposed regions and provides coordinated support for regions including through a helpdesk and regular seminars.

Community benefit funds

Benefit sharing arrangements are about investing in communities to support the long-term wellbeing of people and place. Common forms of community benefits include building or upgrading infrastructure – such as libraries, community centres, and roads – or funding community organisations that deliver programs or services to the community. It might also include investment in local small and medium sized enterprises (SMEs) to enable them to participate in the supply chains of projects receiving tax incentives and help to meet local procurement targets.

To satisfy the "community benefit funds" criterion in our proposal, and thus qualify for higher levels of government support, projects should provide resources for projects and initiatives that increase the wellbeing of the local community including relevant First Nations groups. The community benefit principles should require specific annual payments proportional to the size and nature of the development. Based on work by Climate Action Network Europe, we recommend setting these amounts at 1% of annual revenues for level 2 of the framework (i.e., a 60% tax credit) and 2.5% of annual revenues to qualify for level 3 (100% tax credit).[22] Basing payments on revenues means that communities benefit from new industries sooner, and it also avoids the risks to business of a volume-based amount or a flat rate (i.e., the risk that demand and revenues may be volatile).

Any benefit sharing should be tailored to the local context and produce outcomes that align with the priorities of local communities. Decisions to fund projects should be made by an organisation that includes representatives from the local community to ensure that benefits are tailored to the local context, such as:

- A committee set up by local council(s): e.g., Inverell Council formed the Sapphire Wind Farm Community Fund Committee and has received $187,500 per annum from the developer to spend on projects and programs that benefit the local community. The committee is responsible for assessing and approving funding applications.
- A committee of local community leaders: e.g., The New England Solar Social Investment Program is managed by a community reference group and has five local community members. The group assesses grant funding and has funded local sporting groups, community events, health and fitness groups, historical projects, schools and sustainability projects.
- A community foundation: e.g., Community Renewal Funds operated by the Foundation for Rural & Regional Renewal enable communities, proponents and governments to work together to identify priorities and how benefits to communities can achieve maximum impact.[23]
- Community co-ownership: Yiyangu Pty Ltd partnered with ACEN Renewables to create Yindjibarndi Energy Corporation. The Yindjibarndi people own Yiyangu Pty Ltd and so benefit from a 25-50% equity stake in all projects, preferred contracting for Yindjibarndi-owned businesses, and training and employment opportunities.[24]

First Nations economic participation

Businesses should support economic participation by First Nations communities in FMIA-supported projects by procuring from First Nations businesses and employing First Nations people. Where possible, businesses should receive the highest levels of the tax credits only if they satisfy the “First Nations economic participation” criterion by having at least 3% First Nations economic participation in their projects. This percentage should be achieved based on at least one of the following during the years businesses receive support:

- The total project contract value subcontracted to First Nations businesses;
- The amount of Australian-based full-time equivalent First Nations workers;
- The amount of the total project contract value that is allocated to education, training and capability building of First Nations staff and businesses in the project’s supply chain.

The National Agreement on Closing the Gap defines an Aboriginal and Torres Strait Islander organisation as one that is at least 51% First Nations owned or controlled, and is operated to benefit First Nations communities.[25]

The 3% threshold is based on existing programs such as the Capacity Investment Scheme (CIS), the Commonwealth Government’s Indigenous Procurement Policy

(IPP) and NSW's First Nations Guidelines. Renewable energy generation projects that can commit to ensuring economic participation by First Nations communities are viewed more favourably when bidding in the CIS.[26] The IPP also contains both a volume and value target for purchasing from Indigenous enterprises, which increase from 3% to 4% over FY2026-FY2030.[27] Three percent is still considerably lower than the aspirational goals laid out in region-specific First Nations Guidelines of 7.5-20%.[28]

To assist businesses to satisfy targets around First Nations economic participation, the federal government will need to provide additional policy support. Targets are important as they boost ambition, however the low numbers of First Nations businesses and workers in relevant industries may make it difficult to satisfy them. The federal government can therefore play a key role in enabling companies to meet procurement targets, such as by providing funding support including loans for First Nations SMEs to enter new industry supply chains, and creating opportunities for training and development. Setting longer lead-in times for project proponents to satisfy targets would enable local businesses to expand their capacity and services to be able to participate.

Principle 4: Strengthen domestic industrial capabilities

Government support for green industry projects can be designed to not only support one project but also a broader ecosystem of local supply chains and adjacent industries. Setting local content mandates can be an effective way to ensure broad benefits for industry development, with local content referring to the proportion of a product or project sourced from a specific country or region. The Victorian Renewable Energy Target (VRET2) auction required 67% local content for solar projects and 61-65% for onshore wind projects depending on the size of the towers, which could incentivise more domestic steel manufacturing or even greater onshore manufacturing of solar equipment.[29] Internationally, local content initiatives range from around 60-100% depending on the type of project and its location.[30] These initiatives provide employment opportunities, support local economies, and can be linked to the broader concept of community wealth building.[31]

However, local content requirements should not be applied to all types of government support. They can increase project costs or delay production if companies find it more difficult to source suppliers, and supply-side bottlenecks are one of the biggest challenges for the net zero transition. Policymakers should assess whether local content requirements make sense – or are even possible – for specific types of incentives by considering the broader context and whether the government aims to support the domestic development of key supply chains. This is why in Figure 1 we suggest that a "local content" criterion should only be used *if applicable* to the relevant industry.

The HPTI and CMPTI offer good examples of where strict local content requirements may or may not make sense. For the HPTI, the National Hydrogen Strategy articulates the opportunity to develop a domestic industry to supply equipment including electrolysers. The strategy also discusses advances by Australian companies and researchers, which can be leveraged through public sector investment in electrolyser manufacturing. To support relevant Australian manufacturing industries, we suggest including a local content requirement for the HPTI of around 10% of all capital expenditure across the project's lifetime up to the year when the project receives tax credits – however the government could task the Industry Capability Network to provide advice about an appropriate local content threshold. Projects that reach final investment decision before 2027 should be exempt from this requirement, to avoid penalising businesses that have already set up plants with imported technologies. Equipping businesses to satisfy this target may mean that governments need to pursue complementary policies, such as providing financial support for electrolyser component manufacturing through the National Reconstruction Fund.

In contrast, for the CMPTI, we suggest not including a local content requirement as it is likely that (most) Australian processing will use local Australian mineral ores anyway. Moreover, the Critical Minerals Strategy 2023-2030 does not mention manufacturing relevant equipment and components for processing in Australia. A strict local content requirement is unlikely to change the business model for CMPTI firms, and would impose a regulatory and administrative burden without any clear policy benefit.

Community co-ownership automatically ensures the highest level of support

Community co-ownership of projects can help ensure residents benefit from local decision-making power and profits from new projects. The "community co-ownership" criterion in Figure 1 involves local communities owning at least 20% of the equity stakes in a project – and we propose that projects that meet this criterion should automatically be eligible for the highest level of government support.

Legal structures that are set up to benefit the whole community – rather than individual residents – should own at least half of the community held shares and have at least one board seat (or equivalent vote in the relevant decision-making processes).

We suggest governments take a relatively broad view around who is eligible to hold the community's stake in a project: it could be individuals who live in the local area, relevant native title holders, local councils near the project, or special-purpose community foundations. If none of these groups would like to invest in the project, then state and federal governments could also have ownership stakes (e.g., through ARENA, the Future Fund or state-based entities like CleanCo or SEC Victoria). The important point is that whoever holds the co-ownership stake, they should use their profits and exercise their ownership rights in service of the project's local community.

In some regions overseas, residents have the opportunity to own 20% of renewable energy projects. Examples include the Balearic Islands and Catalonia in Spain, and Mecklenburg-Western Pomerania in Germany.[32] In Denmark, the Promotion of Renewable Energy Act has mandated projects to offer local communities a 20% ownership stake in wind projects. Shares are offered at cost price to those living very close to the wind farm and, if not sold, are advertised to residents living slightly further away before being returned to the developer. To ensure residents have sufficient opportunity to learn about the shares, companies must advertise the shares for eight weeks and hold a meeting to provide information and answer questions.[33] Meanwhile, First Nations communities are beneficiaries of almost 20% of Canada's large-scale generation projects, most of which produce renewable energy.[34]

There are a number of community energy projects in Australia but many rely on individuals purchasing shares, so the benefits accrue to local shareholders rather than the entire community. In contrast, in countries such as the UK, many community energy projects are run to serve the wider local population.[35] In Mecklenburg-Western Pomerania, Germany, residents who have lived in the area surrounding a new wind farm for more than three months can purchase up to 10% of the wind farm's value, while the municipality can purchase an additional 10%, effectively splitting the co-ownership component evenly between private residents and the community.[36,37]

We propose a similar model, whereby at least half the shares are owned by a legal structure that benefits the broader community. Communities will need resources and capability-building to set up and run these legal structures.

Under our proposed model, proponents of projects that have not commenced construction can receive the highest level of support (level 3) if they satisfy the "community co-ownership" criterion and conduct community consultation. They do not need to satisfy any other criteria. We acknowledge that this might mean that project developers do not provide other benefits (depending on how the company wants to structure its project, and how the community equity holder exercises its ownership rights). Co-ownership also presents some risks for communities:

1. It does not guarantee that community representatives are able to sway decision-making within companies as they may not own a majority stake,
2. If community members directly benefit from the financial proceeds of a project, they may be less inclined to argue for protecting against environmental damage or exploitative labour practices, and
3. If projects are unprofitable and a project goes bankrupt, community members may lose their investment, and the community may be left with a clean-up liability.

Nevertheless, including community co-ownership in the way we suggest in Figure 1 is a key part of our recommendations for two main reasons.

First, projects are not a one-size-fits-all. It may be difficult for some projects to meet apprenticeship targets, or the supply of labour in an (emerging) industry may not be conducive to putting people on long-term contracts. This option still provides the opportunity for these projects to deliver significant benefits and receive full government support.

Second, for small ventures (under $10 million turnover per year), or those with highly uncertain revenues such as renewable hydrogen and critical mineral processing, the costs of satisfying nine different criteria in order to receive government support may simply be too high.

Community co-ownership can provide many benefits for residents. Communities can use the dividends, for example, to fund important infrastructure projects or other desirable activities. They own an asset that may appreciate over time. There would be no obligation on communities to buy into the project. If a company cannot achieve 20% co-ownership, it would need to satisfy other criteria in the framework.

Conclusion

Australia needs a rapid transition to meet the goal of reducing emissions by 62-70% below 2005 levels by 2035, and achieving net zero by 2050. We are not where we need to be, either in terms of developing the workforces and supply chains to deliver this industrial transformation or in local communities embracing the changes coming their way. Projects backed by the federal government should lead the way, ensuring that businesses that receive public support contribute to developing the future workforce and supply chains to achieve net zero, and fairly share the prosperity generated by new industries with local communities and First Nations people who live near their projects.

CPD recommends the use of our framework to apply the Community Benefit Principles to the Critical Minerals Production Tax Incentive and Hydrogen Production Tax Incentive. These tax incentives are available to businesses that satisfy specific criteria and that are designed to support the development of nascent industries. The framework should be further adapted for new waves of funding and investment including through the Future Made in Australia agenda, the Clean Energy Finance Corporation, the Australian Renewable Energy Agency, the proposed Electricity Services Entry Mechanism, the National Reconstruction Fund and more.

We make three additional recommendations:

- The application of Community Benefit Principles should prioritise activities that increase returns to both communities and firms. Applying principles should not be so stringent that it prevents companies from being profitable, but stringent enough to achieve benefits for broader society.
- Local communities should have the ability to shape the benefits they receive, and applying the principles should be administratively simple for government and business.
- Businesses that receive the highest levels of government support should satisfy all Community Benefit Principles; ensuring safe, secure well-paid jobs, developing skilled and inclusive workforces, achieving positive outcomes for local communities, including First Nations peoples, and strengthening domestic industrial capabilities.

Endnotes

[1] *Investor benefits of First Nations participation in clean energy projects*, First Nations Clean Energy Network and EY, 2025.

[2] 'Culcairn Solar Farm', Neoen, 2025.

[3] Treasury has recently overhauled the Foreign Investment Review Board tax conditions framework and has introduced an updated Guidance Note 12: *Guidance note 12: Tax conditions*, The Treasury, 2025.

[4] The WHS Act requires businesses to keep records of incidents for at least five years. *Guide to Work Health and Safety incident notification*, Comcare, n.d.

[5] 'Characteristics of employment, Australia', ABS (accessed in TableBuilder).

[6] 'For employers: Avoiding the reduced tax credit rate for clean economy ITCs', Government of Canada, 2025.

[7] 'Prevailing Wage and the Inflation Reduction Act', US Department of Labor, 2025.

[8] 'Occupation shortage list', Jobs and Skills Australia, n.d.

[9] S McKenzie and E Dawson, 'Charged up: Strategies for addressing the skill shortage in electrical trades for the clean energy transition', Per Capita, 2024.

[10] 'Barangaroo Skill Exchange', Australian Training Awards, 2014.

[11] *The future of the workforce: Apprentices in building and construction*, Master Builders Australia, 2024.

[12] *Hydrogen industry workforce development: Roadmap 2022-2032*, Queensland Government, 2022, p. 10.

[13] 'Construction procurements', Department of Employment and Workplace Relations, 2025.

[14] *Skills for tomorrow: Shaping the future of Australian apprenticeships: Strategic review of the Australian apprenticeship incentive system 2024 final report*, Commonwealth Department of Employment and Workplace Relations, 2024.

[15] 'Community engagement', Australian Energy Infrastructure Commissioner', n.d.

[16] *Advancing the practice of public participation*, IAP2, 2025.

[17] See, for example, *Capacity Investment Scheme – Tender 4: National Electricity Market – Generation, Tender guidelines*, DCCEEW, 2024; *Benefit-sharing guideline*, NSW Department of Planning, Housing and Infrastructure, 2024 and 'Community benefits guideline for communities hosting renewable energy projects', Government of Western Australia, 2025.

[18] *Best Practice Network Guides*, First Nations Clean Energy Network, 2025; *Leading practice principles: First Nations and renewable energy projects*, Clean Energy Council and KPMG, 2024; *First Nations engagement the principles of Free, Prior and Informed consent: Better practice engagement with First Nations communities and people*, DCCEEW, 2025.

[19] *First Nations engagement the principles of Free, Prior and Informed consent: Better practice engagement with First Nations communities and people*, DCCEEW, 2025.

[20] See e.g. *CIS T4 Guidelines*, ASL, 2024.

[21] 'About', Local Energy Hubs, n.d.; K Mallee, C Hodge and J Hicks; *Guide to regional benefit sharing*, Community Power Agency, 2025.

[22] *Community engagement and fair benefit sharing of renewable energy projects: Presenting policies and practices across Europe and guidelines for developers*, Climate Action Network Europe, 2025.

[23] 'Community Renewal Funds', Foundation for Rural & Regional Renewal, 2024.

[24] 'Project Jinbi', First Nations Clean Energy Network, n.d.

[25] *National Agreement on Closing the Gap*, Closing the Gap, 2020.

[26] *Capacity Investment Scheme – Tender 4: National Electricity Market – Generation, Tender guidelines*, DCCEEW, 2024.

[27] The volume target is for the total volume of contracts while the value target is for the total dollar amount of contracts. 'Indigenous Procurement Policy July 2025', National Indigenous Australians Agency, 2020.

[28] *First Nations guidelines for the NSW Electricity Infrastructure Roadmap*, NSW DCCEEW, 2025.

[29] 'Strategic projects listing', Local Jobs First, 2025. The local content covered operations and maintenance activities, steel products and components.

[30] *Community benefits can be captured in renewables projects through local content requirements*, Climate Energy Finance, 2024.

[31] *Community Wealth Building for a well-being economy*, OECD, 2024.

[32] J le Maitre, 'Price or public participation? Community benefits for onshore wind in Ireland, Denmark, Germany and the United Kingdom', *Energy Research & Social Science*, 2024; *Community engagement and fair benefit sharing of renewable energy projects: Presenting policies and practices across Europe and guidelines for developers*, Climate Action Network Europe, 2025.

[33] J le Maitre, 'Price or public participation? Community benefits for onshore wind in Ireland, Denmark, Germany and the United Kingdom', *Energy Research & Social Science*, 2024.

[34] 'Market snapshot: Indigenous ownership of Canadian renewable energy projects is growing', Canada Energy Regulator, 2024.

[35] T Braunholtz-Speight et al., *The evolution of community energy in the UK*, UK Energy Research Centre, 2020.

[36] J le Maitre, 'Price or public participation? Community benefits for onshore wind in Ireland, Denmark, Germany and the United Kingdom', *Energy Research & Social Science*, 2024.

[37] Another option to reduce the potential for a few individuals to benefit excessively would be to restrict the number of shares that can be bought by each individual. For example, in Denmark, the Promotion of Renewable Energy Act was amended in later years such that each person could purchase a maximum of 50 shares.

CENTRE FOR POLICY DEVELOPMENT

CREATE. CONNECT. CONVINCE.

Published by the Centre for Policy Development

CONNECT WITH US

@centrepolicydev

centrepolicydev

Centre for Policy Development

Cpd.org.au

CONTACT

Melbourne
Level 18, 1 Nicholson Street,
East Melbourne VIC 3002
+61 3 9752 2771

Sydney
Level 14, 175 Pitt Street,
Sydney NSW 2000
+61 3 9752 2771