



Community Benefits Agreements in Clean Energy Permitting: The Basics

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Contributors

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INTRODUCTION

As the world transitions to clean energy, projects such as wind farms, solar installations, and battery storage facilities are being developed at an unprecedented scale. While these projects are essential for climate mitigation, they also transform local landscapes and communities. The permitting process for clean energy projects has increasingly incorporated community benefits mechanisms to ensure that host communities benefit from them while addressing potential impacts.¹ This primer provides a high-level summary of community benefits mechanisms (CBMs), with a focus on community benefits agreements (CBAs), offering guidance for community members, developers, policy makers, and regulators navigating this evolving landscape.

CBMs are formal arrangements that provide tangible advantages to communities hosting clean energy infrastructure. These can range from direct payments and local ownership stakes to job creation programs and infrastructure improvements. Unlike traditional corporate social responsibility initiatives, community benefits are typically negotiated, structured, and, in some cases, legally binding components of project development and permitting.² These mechanisms are an increasingly important tool for ensuring that clean energy development delivers meaningful, equitable benefits to host communities.

In practice, CBMs reflect the priorities of different stakeholders. For example, local governments may wish to see clean energy developers engage with communities in transparent and respectful ways and deliver economic development opportunities. And developers may wish to maintain good community relationships through engagement and stewardship as they seek to deploy financially viable projects. Many clean energy developers already negotiate agreements with landowners (e.g., lease payments) and communities as part of the development process.

Several states recently adopted CBMs into their regulatory permitting processes, not just for clean energy development but also for commercial, industrial, and other social infrastructure. CBMs can be a way for communities to build partnerships with developers and have a direct voice in shaping development that affects them.

CBMs can be prescriptive, taking the form of prescribed, detailed agreements set by the negotiating parties that outline the benefits expected to accrue to local jurisdictions that host energy infrastructure. They can also be procedural in nature, focusing on establishing a suitable structure or process for decision-making and monitoring agreements between developers and communities, leaving the actual benefit structure to those parties.

¹ [“Wind Energy Community Benefits Guide,”](#) WINDEXchange, US Department of Energy, 2024.

² Ruby Moore-Bloom, [“Community Benefits Agreements: Opportunities, Barriers, and Best Practices,”](#) Clean Energy Transition Institute, July 24, 2025.

COMMUNITY BENEFITS AGREEMENTS AND PLANS

Whether prescriptive or procedural in nature, CBMs can take several forms: host community agreements (often negotiated between the project developer and local government entity), project labor agreements (between labor groups and the developer), CBAs, and community benefits plans (CBPs).³

- CBAs are legally binding contracts between developers and community organizations or local governments that mandate specific, enforceable benefits for local areas. CBAs are typically negotiated between developers and communities⁴ and provide court-enforceable guarantees of community benefits.
- CBPs are usually non-binding documents submitted by developers to outline community engagement processes, which are often required for state or federal funding. CBPs are often used as planning tools by developers to demonstrate community engagement strategies.

Both CBAs and CBPs build off existing practice: Clean energy projects already provide value to host communities, such as through taxes and land-related payments, and developers already typically engage with communities as part of siting and permitting processes. This document focuses on the structure and features of CBAs. Key features of CBAs are outlined below.

Direct payments

The most common CBA mechanism is a direct payment to host communities, beyond direct payments to landowners. Examples of direct payment mechanisms in CBAs can be found on the United States Department of Energy's [WINDExchange Section on Local Benefit Mechanisms](#), as well as the [Community Benefits Agreements Database](#) produced by the Sabin Center for Climate Change Law at the Columbia Climate School. Here are a few of the common ways of structuring direct payments:

- Developers may wish to start or contribute to community benefit funds through an agreement with the host community, with funds typically held and administered by the local government, a nonprofit organization, or community foundation. Their purpose is to support local programs, mitigate impacts associated with large-scale development, and address community-identified priorities. Funding may take the form of a one-time upfront

³ Moore-Bloom, "[Community Benefits Agreements](#)."

⁴ For legally binding agreements, an entity that legally represents the community is usually necessary to facilitate transactions resulting from the agreement. That entity is typically a local government agency or a designated nonprofit community organization.

contribution from the developer, recurring annual payments over the project lifespan, or escalating payments that increase annually by a defined rate over the project lifespan.⁵

- Payment in lieu of taxes (PILOT) agreements are normally negotiated between developers and local jurisdictions (ideally with ample community engagement) and establish fixed annual payments instead of standard property taxes, providing revenue predictability for both communities and developers. Because of the tax implications of PILOT agreements, they often require local or state legislative action and are less common than benefit funds.⁶
- Impact mitigation payments are intended to compensate households for experiencing direct project impacts, such as noise, shadow flicker, or visual effects. In some jurisdictions, these payments are structured according to a household's proximity to clean energy facilities, with compensation declining as distance from the project increases. Benefits may be provided as direct payments, utility bill credits, or other financial mechanisms.⁷

Local ownership, revenue sharing, and shared savings

Several communities have, in the past, considered local ownership of energy projects and are again exploring mechanisms to generate lasting wealth and drive enduring change in their neighborhoods.

Community ownership stakes allow residents or local entities to invest in projects and receive proportional returns. Models range from small equity stakes (5–10 percent) to fully community-owned facilities.⁸ Examples include the following:

- Denmark's cooperative wind ownership model has been particularly successful, with many projects that are 20–40 percent community-owned.⁹
- In Minnesota, Cooperative Energy Futures' community ownership model allows each subscriber to their projects to become a member-owner of the co-op. Member-owners can run for and elect Cooperative Energy Futures' Board of Directors and participate in

⁵ Evana Said, Devashree Saha, Grace Adcox, and Celina Scott-Buechler, "[US Clean Energy Projects Need Public Buy-in. Community Benefits Agreements Can Help](#)," World Resources Institute, August 31, 2023.

⁶ Gilbert Michaud, Farzaneh Khayat, and Claire Bonham, [Impact Analysis of the Ohio PILOT Program](#) (Chambers for Innovation & Clean Energy, 2024).

⁷ Sandy Kerr, Kate Johnson, and Stephanie Weir, "[Understanding Community Benefit Payments from Renewable Energy Development](#)," *Energy Policy* 105 (2017): 202–211.

⁸ "[Denmark Community Ownership of Renewables](#)," International Energy Agency, last updated August 2, 2023.

⁹ City of Copenhagen, "[Middelgrunden: Wind Turbine Co-operatives](#)," State of Green, November 21, 2024.

annual member meetings.¹⁰ This community ownership model creates an opportunity for subscribers to have a seat at the decision-making table within their energy cooperative.¹¹

Revenue sharing in clean energy projects is a structure where the project developer distributes a portion of the project revenue or profits directly to local municipalities, participating landowners, Indigenous communities, or neighboring residents. For example, the local nonprofit community energy cooperative, Vineyard Power (on Martha's Vineyard, Massachusetts), negotiated a historic, legally binding CBA with offshore wind developer Vineyard Wind. As part of the CBA, Vineyard Wind is legally required to pay \$1 million annually for 15 years directly into a Resiliency and Affordability Fund, which is then distributed back to residents.¹²

Shared savings programs for community solar can provide subscribers, particularly low-income households, with reduced electricity costs, effectively redistributing some project value while advancing energy access equity. For example, the Faribault Community Solar project in Faribault, Minnesota, developed by Cooperative Energy Futures, delivers benefits to subscribers beyond the typical electric bill savings associated with community solar subscriptions. Each subscriber of the Faribault project, half of whom are low-to-moderate income households, receives an annual share of the project's profits.¹³

Another example is the Illinois Shines program, which functions as a traditional subscription program, where customers can subscribe to a community solar project, and as a shared savings program. Through the Community-Driven Community Solar (CDCS) program under Illinois Shines, customers earn credits for their share of electricity generated by the community solar project.¹⁴ These credits offset their utility bill costs for their share of power generated.

In addition, through the CDCS program, projects provide a direct and tangible benefit to the local community. Examples of these benefits include community ownership, financial contributions to local nonprofits or public entities, and direct community engagement in project decision-making. A CDCS project in Rockford, Illinois, is not only saving local subscribers \$4 million in electricity costs but also delivering significant community benefits in a city where over 21 percent of residents live below the poverty line.¹⁵ The solar developer has invested project revenue in direct benefits for hiring local contractors and supporting local nonprofits.

¹⁰ "[Become a Member](#)," Cooperative Energy Futures, accessed July 27, 2026.

¹¹ "[About](#)," Cooperative Energy Futures, accessed July 27, 2026.

¹² Hayley Duffy, "[Island's Benefits Agreement with Vineyard Wind Made Public](#)," *Martha's Vineyard Times*, updated August 25, 2025.

¹³ "[Five organizations turning community solar into savings for low-income Americans](#)," *pv magazine*, July 7, 2023.

¹⁴ "[Exploring Solar With Illinois Shines](#)," Illinois Shines, accessed July 27, 2026.

¹⁵ "[Exploring Solar With Illinois Shines](#)," Illinois Shines.

Employment and economic development

For a number of communities, benefits that address persistent underemployment and unemployment are priorities. Some communities have sought CBAs that include the following features:

- Local hiring requirements establish targets or mandates for employing workers from host communities or regions; because utility-scale clean energy projects typically create relatively few permanent jobs beyond the construction phase, these provisions are most significant during the construction phase.¹⁶
- Training and apprenticeship programs partner with community colleges or trade schools to prepare local workers for renewable energy careers, creating value beyond single projects.
- Local procurement preferences encourage or require purchasing supplies, services, and equipment from local businesses where feasible, multiplying local economic impacts.

Ecological co-benefits

Ecological co-benefits can be written into CBAs to require native vegetation, pollinator-friendly ground cover, or construction practices that reduce soil and water impacts. Ecological co-benefits are important additional factors in CBAs as they ensure that both the community and environment are supported by the project, fostering a thriving, holistic community. Examples of ecological co-benefits include the following:

- Wildlife corridors
- Reduced stormwater runoff
- Reduced local air pollution
- Improved soil health

Across the Midwest, for example, CBAs and other procurement mechanisms are increasingly including specific mandates for pollinator-friendly habitat to support biodiversity, soil health, and local agriculture.¹⁷

¹⁶ Sika Gadzanku, Alexandra Kramer, and Brittany L. Smith, [*An Updated Review of the Solar PV Installation Workforce Literature*](#) (National Renewable Energy Laboratory, 2023), NREL/TP-7A40-83652.

¹⁷ [*Procurement and Pollinator-Friendly Solar*](#) (Fresh Energy, 2021).

DESIGNING EFFECTIVE COMMUNITY BENEFITS PROGRAMS

Assessing community needs and priorities

Effective CBAs begin with a firm understanding of the economic, environmental, and sociocultural priorities that host communities value most. Developers should engage communities early in the conceptualization process. Based on a clear identification of priorities, developers and communities can work together to define benefits that address those priorities.

Public meetings, surveys, focus groups, and discussions with local officials and organizations are important means of gathering information. Meaningful engagement requires meeting communities where they are—literally and figuratively. This means accessible meeting locations and times, accessible language materials, and recognition that community capacity to engage with complex technical and legal documents varies considerably.

Types of processes for structuring and establishing CBAs

Where CBAs exist, they are ad hoc, project-specific agreements voluntarily negotiated and executed by developers and communities.¹⁸ A few states have already established mechanisms for requiring CBAs through the following pathways:

- Established regulatory requirements that mandate the development of CBAs as a required condition for permitting. For example, Michigan recently enacted legislation (Public Act 233) requiring developers to enter into agreements with minimum payments of \$2,000 per megawatt to local governments for projects seeking state-level permits.¹⁹
- Established competitive advantages in procurement that factor community benefits into project selection for utility contracts or renewable energy credits, incentivizing developers to offer robust packages. Several states, such as New York²⁰ and Massachusetts,²¹ have done this.²²

How community benefits are governed profoundly affects their impact. For payments that are intended to support a specific activity or program, the CBA can be structured to ensure that a relevant entity (local government agency, nonprofit organization, etc.) is tasked with overseeing

¹⁸ Minnesota Department of Commerce, [*Community Benefits Plans: Equitable Implementation of the Bipartisan Infrastructure Law*](#) (Minnesota Department of Commerce, February 10, 2023).

¹⁹ [2023 Mich. Pub. Acts 233](#).

²⁰ [“2022 Offshore Wind Solicitation \(Closed\),”](#) New York State Energy Research and Development Authority, July 2022.

²¹ [2024 Mass. Acts ch. 239](#).

²² [2008 Mass. Acts ch. 169, § 83](#).

how those funds are utilized. In the case of community benefit funds, they typically operate through the following:

- Community-controlled boards with locally elected or appointed members deciding fund allocation, providing maximum community agency but requiring administrative capacity.
- Joint governance structures with both community and developer representatives, balancing expertise and local priorities.
- Third-party administration through community foundations or similar organizations providing professional management while maintaining independence from developers.

Transparency and accountability mechanisms should include annual reporting on payments, fund balances, and benefit distribution, public meetings for community input on fund priorities, regular audits of financial management, and accessible processes for community members to request funding or raise concerns.

Some common challenges to manage in the development of CBAs include the following:

- Implementation gaps between negotiated commitments and actual delivery plague many community benefits programs. Strong enforcement mechanisms, including financial penalties for noncompliance and community rights to legal remedy, are essential but often absent.
- Funding sustainability can be problematic if benefit payments are tied to project revenue in ways that create volatility, or if one-time construction payments are not strategically invested for long-term impact.
- Capacity constraints affect both communities negotiating complex agreements and smaller developers unable to offer extensive benefit packages, potentially disadvantaging both local communities and smaller clean energy companies.
- Displacement of existing activities can occur when land conversion for clean energy projects eliminates agricultural jobs, recreational access, or ecosystem services without adequate compensation or mitigation.

Critical considerations for equitable CBAs

In both urban and rural communities, a broad cross-section of groups can be impacted by clean energy development. Affected communities include low- and middle-income households, individuals with limited English proficiency, migrant workers, and older adults on fixed incomes, among others. During the CBA development process, it is important to answer these foundational questions to ensure a fair process that does not exacerbate existing inequities:

- Who is the “community”? Developers and communities should work together to clearly define who is included in the CBA process. Who is impacted by the development? Who should benefit from the CBA? Too narrow a definition may exclude affected populations; too broad a definition may dilute benefits for those most impacted.
- Whose voices are heard? Traditional public participation processes often underrepresent renters, lower-income residents, people of color, younger people, and individuals with

limited English proficiency. Proactive outreach and varied engagement methods will help ensure inclusive participation.²³

- How are benefits distributed? Lump payments to local governments may not reach disadvantaged populations. Direct household benefits, targeted programs for low-income residents, or community benefit fund priorities focused on equity can help ensure broad value distribution.

Ensuring durability of CBAs

The success and effectiveness of CBAs can be measured by reviewing outcomes:

- Are benefits reaching intended beneficiaries?
- Do community members perceive clean energy projects more favorably with benefits programs?
- Are local economic indicators improving?
- Is community cohesion strengthened or strained?
- Are environmental and social impacts adequately mitigated?

Long-term monitoring and adaptive management allow programs to evolve based on experience and changing community needs. CBAs can be structured with reporting requirements that include tracking milestones and compliance monitoring, as well as penalties or legal/financial ramifications for noncompliance.²⁴ Reporting requirements are usually assigned to the developer, but independent third parties can be written into the agreement to provide oversight. Independent third parties can include municipal agencies or third-party auditors.²⁵

²³ Massachusetts Executive Office of Energy and Environmental Affairs, Office of Environmental Justice and Equity (EEA OEJE), [*Standards and Guidelines for Community Benefit Plans and Agreements \(CBP/CBA\)*](#) (Massachusetts EEA OEJE, March 2026).

²⁴ Danielle Riedl, Willy Carlsen, Evana Said, Devashree Saha, Grace Adcox, and Catherine Fraser, [*Community Benefits Frameworks: Shortcomings and Opportunities for Greater Impact*](#), World Resources Institute, March 26, 2025.

²⁵ Riedl et al., [*Community Benefits Frameworks*](#).

RESOURCES FOR FURTHER LEARNING

[Center for Rural Affairs | Empowering Rural Development through Community Benefit Agreements](#)

[Clean Air Task Force | Community Benefits Programs & Clean Energy](#)

[Clean Air Task Force's Climate Equity Initiative | Community Benefits Agreements: Case Studies, Federal Guidelines, and Best Practices](#)

[Environmental Law Institute | Deals in the Heartland: Renewable Energy Projects, Local Resistance, and How the Law Can Help](#)

[Fair Shake | A Community Benefits Menu and Process](#)

[Fair Shake | CBA Template](#)

[Great Plains Institute | The Co-Benefits Approach to Solar Development](#)

[Initiative for Energy Justice | Energy Justice in Community Benefit Agreements and Plans](#)

[Lawrence Berkeley National Laboratory | Survey of Utility-Scale Wind and Solar Developers Report](#)

[Renewable Energy Policy Network for the 21st Century \(REN21\) | Global Status Report](#)

[Sabin Center for Climate Change Law at the Columbia Climate School | Community Benefits Agreements Database](#)

[Solar Stewards: CommunityPACT](#)

[US Department of Energy | Community Solar: Overview, Ownership Models, and the Benefits of Locally-Owned Community Solar Projects](#)

[US Department of Energy | WINDEXchange Section on Local Benefit Mechanisms](#)

[World Resources Institute | Through Benefits-Sharing Agreements, Clean Energy Projects Can Earn Community Trust](#)