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SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA

Principles for Natural Resource Governance

Research Summary

November 2024

Natural resource governance: Lessons for Scottish land reform

Land is our most valuable natural resource. But the way we use and value land is changing as we meet the twin challenges of climate change and biodiversity loss, whilst supporting our vital farming and forestry sectors. We see this change in the rise of natural capital markets and rapid development in the renewables sector, raising questions about how different interests can be balanced to meet our needs and ambitions. In this critical time, it is essential to understand how land ownership, use, and management can deliver wide public, community, and private value.

Research by the Centre for Local Economic Strategies (CLES) for the Commission looked at various governance models in Scotland and abroad, offering valuable lessons for land governance. The six case studies included a range of governance models from Europe, showing different scales and types of natural resources, including public ownership, shared ownership, charities, and sovereign wealth funds.

Underpinning all these models, the research highlighted six key principles as crucial to success:

- Clear organisational purpose
- Future proofing for long-term sustainability
- Creative use of legal and policy tools
- Transparency to build trust
- Internal democracy for accountability
- Local voice to represent community interests

In addition, two clear themes emerged which echo previous Commission research:

- The vital role municipal government plays in supporting vibrant governance structures.
- Direct involvement of communities and public interests in the governance of natural resources helps to create and maintain public and community value, going beyond simplistic benefit-sharing contracts between parties.

This research highlights the need for innovative and responsive approaches in Scotland to foster genuine collaboration between private, public, and community interests, particularly as pressures on natural resources and markets evolve. Collaborative governance, built on the six principles above, will be crucial for managing the complexities of changing land use, ensuring that benefits and risks are shared fairly.

The Commission intends to build on this work by providing practical insights into collaborative governance and sharing examples of best practices – but there is no need to wait. The opportunities are there to be grasped now, use this research to inform innovative governance, and share the experience.

Mechanisms and governance approaches to securing public value from natural resources

Key findings and reflections by the Scottish Land Commission

November 2024

Natural resources can provide the opportunity to generate and retain public, community and private value. This includes financial and economic value, social and human value and environmental value. Land is our most important natural resource, and the Scottish Land Commission works towards ensuring that the value and benefits of land are shared fairly to underpin community wealth building and national prosperity. In Scotland and abroad, there are organisations that are leading the way in developing, implementing, and adapting governance approaches that capture and direct value for the benefit of the public and communities. Research by the Centre for Local Economic Strategies (CLES) highlights lessons from this experience, which we will use to inform our policy work and develop guidance to support and stimulate the uptake of innovative governance approaches.

Research into how diverse governance models distribute natural resource value

In 2023, the Commission published a Land Focus paper on '**Land Governance**' – bridging the gap between land ownership and use. Land governance is concerned with questions of who and how: who can make and enforce decisions in relation to land (power) and how are decisions made (process). We commissioned research to explore how diverse governance models distribute natural resource value, to inform the Commission's policy and good practice advice, including in relation to natural capital.

Interim findings were published in May 2024, highlighting key aspects of fourteen case studies which secure public value through natural resource management. We are now publishing the **full research** undertaken by CLES. This research includes a literature review that explores historic and current experiences of delivering public/community value from investment in, and use of, natural resources, complemented by insights from expert interviews. It also includes detailed analysis of six case studies, based on desk-based research and interviews, which examine the mechanisms that enable delivery of public, community, and private value.

This paper summarises key findings and reflects on the opportunities for Scotland.

The role of mechanisms and governance approaches in capturing and distributing public and community value from natural resources – overview of case studies

Public and community value can be secured through ownership of natural resources; ownership of products that use, or supply chains that rely on, natural resources; governance of finance associated with natural resource management; and law and policy. Six case studies from Scotland and Europe were examined with a view to better understand how different mechanisms can secure public and community value.

Denmark, Hvide Sande Wind Turbines

The Danish Renewable Energy Act requires that at least 20% of shares in wind farm projects are offered to local residents. In the small town of Hvide Sande, local actors set out to develop a community-led wind project, with a view to fund the expansion of the town's harbour to boost local economic activity. Initially, 80% of shares were owned by a community foundation – a collaboration between local industry groups, unions and utilities – which paid a rent to the harbour authority to fund redevelopment, with profits used to fund local economic initiatives. The other 20% of shares were owned by a local community cooperative, with 400 shareholders. In 2018, shares were sold to the local district heating network, leading to a reduction in heating bills, as community needs and aspirations evolved.



Finland, Metsähallitus

Metsähallitus is a state-owned forestry organisation, which is responsible for managing one third of Finland's land area (12.6 million hectares), predominantly in the North, which covers a large part of the traditional home of the Sámi people. Its trading subsidiary (Metsähallitus Forestry Ltd) derives value from timber and logging activities, and rents.

Metsähallitus' activities are shaped by internal strategic targets set out in 5-year plans, as well as logging and climate change targets set out by two government ministries. Planning of land use and management takes place at national, regional and local levels. Regional resource use plans are developed in collaboration with local stakeholders, with a voluntary operation model to aid decision-making with the Sámi communities.



France, Eau de Paris

Following a period of water service privatisation in Paris, Eau de Paris took over as a single public operator, with physical assets being retained in municipal ownership.

The organisation operates under the principle that 'water pays for water', with profits being reinvested into infrastructure and future planning. Eau de Paris' board, which holds decision-making power, consists of thirteen elected Council officials, two staff members, three representatives from environmental and consumer NGOs (including one from the Paris Water Observatory) and two experts (the latter in an advisory role only).

Oversight and expertise are provided by the Paris Water Observatory, which is a commission of citizens and civil society representatives. The shift in approach has led to a reduction in water bills and more collaborative working.



Germany, Stadtwerke Wolfhagen and BürgerEnergieGenossenschaft Wolfhagen eG.

In the early 2000s, the Council in the town of Wolfhagen in Germany gradually took control of the local energy grid and services, through the town's Stadtwerke (utilities company) with a view to ensuring that all household electricity would come from local renewable sources by 2015.

The town wanted to achieve greater involvement of local people while developing local renewable capacity – initially in the form of solar and wind projects. It opted for a co-ownership model for the Stadtwerke, with shared ownership between the town and a consumer cooperative, BürgerEnergieGenossenschaft (BEG) Wolfhagen, which held almost 40% of shares in the Stadtwerke in 2020.

Members can hold up to five shares worth €500 each, but each member has one vote regardless of the number of shares they own. The cooperative has a veto in relation to key decisions. The Stadtwerke is managed by paid Directors and has an advisory board which is chaired by the Mayor.



Norway, Government Pension Fund Global (Sovereign Wealth Fund)

Formally known as the Government Pension Fund, the Norwegian Sovereign Wealth Fund was established in the 1990s with a view to use surplus revenues from oil and gas to establish a national financial reserve. Since its foundation, the Norwegian state has maintained strong control over petroleum resource management through a licensing system under which international oil companies must operate.



Reinvestment of the fund – to avoid economic downturn if oil prices fall – are guided by an ethical framework with principles which require that the fund is managed to secure lasting value for current and future generations of Norwegians, and that investments in companies that cause or contribute to serious violations of ethical norms are avoided. The fund is managed by the investment branch of the Norwegian Central Bank, and decisions on decisive changes to the fund are made by the Storting (Norwegian Parliament). The principles underpinning the fund – that value from natural resources should benefit society – influence other areas of law and policy, e.g., through a resource rent tax for wind power and aquaculture.

Scotland, Shetland Charitable Trust

The Zetland County Council Act of 1974 gave the Council special powers to protect Shetland’s cultural, social and financial interests. In a ‘Disturbance Agreement’ the oil industry committed to pay the Council (and subsequently the Shetland Islands Council Charitable Trust) for negative impacts, including social changes and threats to traditional industries. Up to 2000, around £81 million was paid. Since 2000, financial contributions, now in the form of revenue from ownership of the Sullom Voe terminal, are paid to the Shetland Charitable Trust.



The Trust initially had close ties to the Council, but today all board members are elected independently. The Trust has enabled significant investment into amenities and capital assets in Shetland. Assets are increasingly invested externally, but some internal investments (e.g., in the subsidiary Shetland Heat Energy and Power Ltd) still occur. The Trust’s financial support of local charities like the Shetland Recreation Trust, Shetland Amenity Trust and Shetland Arts have been held to contribute greatly to quality of life on the islands.

Lessons learned from the experiences of leading organisations

Each case study offers insight into how different mechanisms with different contexts are generating and retaining public and community value. Analysis of commonalities between case studies offer some key insights into enabling factors and barriers for securing public and community value. These relate to the nature and internal workings of mechanisms, their strategic direction and flexibility, as well as the wider environment within which the mechanism operates including interaction with other mechanisms, the legal and policy context, as well as the cultural and political context.

Firstly, the case studies show that **direct forms of ownership** – notably community, cooperative, public and mixed ownership – can confer significant rights in relation to natural resources, allowing for direct control and accountability and direct decision-making power on how value from natural resources can be channelled in the public and community interest. **Financial mechanisms** for capturing value from natural resources varied significantly (e.g., payments for services or products or land rents), but the **inclusiveness of governance structures** was an important factor for directing value flows - from inclusive external and strategic oversight to structures for greater local involvement.

Secondly, **clear organisational aims** and the ability of an organisation to adapt to changing (internal and external) circumstances were shown to be important for securing long-term public and community value. Organisational objectives were often formulated in direct response to a need for (re)investment, for example in local infrastructure, and opportunities to deliver this through natural resource management. Yet, in all cases studies, in different forms, mechanisms strive for **democratisation** to underpin the delivery of collective and equitable financial returns, with further direction provided by strategic objectives around public and community interests, and ethical frameworks. Importantly, however, a clear organisational purpose was not a barrier for mechanisms to respond and be adaptable to changing internal and external circumstances and needs. All case studies illustrate **dynamic thinking and pragmatism** in terms of priorities, focus and internal governance. Changes could be significant, like changes in ownership or redirection of investment flows, but the integrity of the longer-term approach to secure value from natural resources, guided by a clear organisational purpose, was maintained.

Lastly, the case studies and the mechanisms and governance approaches explored therein illustrate that success does not happen in a vacuum. **Interactions between mechanisms** are often key to delivering public and community value from natural resource management, as they can provide mutual support, learning and inspiration. **The legal and policy context** – from the international to the local level – can also be instrumental (in positive and negative ways) to the ability of mechanisms to generate and retain public and community value. Binding requirements may provide foundations for implementing good practice, for example by legislating for opportunities for community involvement in projects that otherwise could have secured private value only.



In other instances, legislative measures and reforms may be necessary to provide space for innovative and inclusive mechanisms and governance approaches. Such models may require a statutory basis or the overcoming of other legal barriers. Legal and policy measures can drive whether benefit from a mechanism is individual or collective, and whether this is financial or a non-monetary form. Laws, policies, mechanisms, and governance approaches are, furthermore, developed and implemented in a **political and cultural context** that is supportive, or less so, of natural resource management that is democratic and equitable. Key elements like political spheres built around coalition and consensus politics, strong state involvement at local/municipal and national level, greater devolution and broad understandings of ownership beyond private interest, supported the development and implementation of mechanisms that secure public and community value from natural resources within the case studies. In this regard, shared politics and cultures ultimately reflect shared connections to natural resources like land.

Principles as a basis for the Commission's work on governance

The report articulates six key principles, identified through the literature review, case studies and discussion, which should inform the development of mechanisms and governance structures in relation to securing value from natural resources in Scotland.

Organisational Purpose



A clearly defined, well-considered organisational purpose is essential for a governance mechanism. This needs to consider the immediate function of the mechanism, the value it is trying to create and how this can be distributed. The organisational purpose can be refreshed and honed through the creation of organisational strategies. The process for how these strategies are developed, and who contributes to them, would need to be specific to each mechanism but good democratic and accountable practices should be built in.

Future Proofing



Taking a long-term view, as well as building organisational dynamism to respond to changing circumstances, adds value to how mechanisms are able to develop, sustain and evolve over time. Internal changes, for example, in relation to governance, ownership and diversification of investments, are often a response to external events. Building relations with other organisations cements the mechanism within the wider landscape.

Creative use of law and policy



Law and policy, especially when used creatively, are vital to realising opportunities for managing natural resources in the public interest. It may not always be possible to influence the legislative and policy environment within which mechanisms operate, but a creative lens may help maximise opportunities that legal and policy contexts provide.

Transparency



The type, role, rationale and purpose of the mechanism, and its governance should be transparent from the outset. Transparency builds a sense of trust in the mechanism and its aims. How transparency will be managed should be considered at the formation of any mechanism, alongside effective communication strategies which ensure the wider public and local community are also clear about how the mechanism functions.

Internal Democracy



Any mechanism should be devised with the aim for internal democratic functioning built in. For example, through a board which integrates local interests and voice, oversight agencies, collaborative opportunities for strategy setting and development, and opportunities for local engagement in decision making. There should be clear governance structures which enable accountability for decision making.

Local Voice



Building in channels to enable, enhance and engage with local communities is essential to build mechanisms which respond to, and represent the interest of local people. This means local voices and the needs of specific communities and interest groups should be meaningfully heard and involved in decision making.



Opportunities for Scotland

Public and community value can be generated and retained through natural resource management in different ways, whether that resource is a product, service, or the land itself. The research undertaken by the Centre for Local Economic Strategies (CLES) shows how significant value can be derived through innovative and inclusive governance, echoing recommendations in the Scottish Land Commission's guidance on 'delivering community benefits from land' on inclusive ownership and governance structures in Scotland. Balancing private, public and community interests through a single-entity governance structure, with democratic and participatory principles at its core, holds significant potential to deliver wide socio-economic value.

The insights from this research are hugely relevant for the dynamic Scottish context. Pressures on natural resources and evolving markets are highlighting the need for new approaches that are responsive to local needs and that balance private interests with the delivery of public and community value. While conventional community benefit agreements provide one way to share value between businesses that own or manage natural resources and communities, in the context of changing land use and ownership – not least due to the interest in Natural Capital investment – this contractual approach becomes increasingly more complex and uncertain. With further long-term land use changes on the near horizon around biodiversity and renewable energy infrastructure, bringing public, private, and community interests together through collaborative governance structures will be key to sharing both benefits and risks, as well as delivering at pace and scale.

With a supportive legal and policy context, inclusive governance can also help answer many challenges across sectors and policy areas: from natural capital and renewables, to agriculture and forestry, to housing. Examples of public sector leadership at national, regional, and local levels are highlighted throughout the research; similar opportunities exist in Scotland, some of which the Scottish Land Commission has recently highlighted in our briefing on '**access to land for small-scale ownership, management and use**'.

We will integrate the findings into our work on governance, including forthcoming guidance on collaborative governance. We also welcome opportunities to work with those involved in or advising on natural resource management to put inclusive governance into practice.

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