



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Capacity Investment Scheme

Market Briefing Note | Guidance on Merit Criteria 7 – Social licence commitments

April 2024



Purpose

As the energy transition takes shape, the Australian Government is deeply committed to ensuring there is genuine partnership between industry and communities to better support and seize the opportunities of a net-zero economy. The purpose of this briefing note is to provide additional information to assist Proponents in preparing Financial Value Bids to address Merit Criteria 7 – Social Licence commitments in the Capacity Investment Scheme (CIS) South Australia-Victoria tender (SA-Vic Tender).

This briefing note should be read in conjunction with the proforma Capacity Investment Scheme Agreement (CISA), Merit Criteria 7: Social licence commitments under section 3.2.2 of the SA-Vic Tender Guidelines, and the Financial Value Bid Form, including the MC 7 Returnable Schedule.

In the event of any inconsistency between this note and the draft CISA, the Tender Guidelines or the Financial Value Bid Form, the proforma CISA, the Tender Guidelines or the Financial Value Bid Form prevails (as applicable).

Capitalised terms have the meaning given to them in the proforma CISA, the Tender Guidelines and the Financial Value Bid Form (as applicable).

Proponents are referred to:

- Merit Criteria 7: ‘Social licence commitments’ under section 3.2.2 of the Tender Guidelines; and
- the definition of ‘Social Licence Commitments’, clause 15 and Schedule 8 – Social Licence Commitments in the proforma CISA forming part of the proforma Project Documents

Why it is important Proponents invest in social licence:

- ✓ Safeguards the renewables transition by building positive local experiences and developer reputations, as well as by avoiding negative media and publicity.
- ✓ Drives better outcomes for local communities, First Nations groups, and economies.
- ✓ Secures a positive future for regional areas and helps to facilitate the delivery of future projects.
- ✓ Early engagement can reduce delays and costs across the life of the project.

Fostering and enabling local community support, employment opportunities, and shared community benefits, as well as development of Australian supply chains, are all key principles in the rollout of the Capacity Investment Scheme.

What Proponents should demonstrate

Social licence commitments are binding under the Capacity Investment Scheme Agreements (CISAs). Proponents must demonstrate how their strategies and approach to achieving social licence commitments drives meaningful change and positive outcomes for the communities they seek to operate in.

The table below outlines the policy intention for Merit Criteria 7 and provides examples of social licence commitments that could demonstrate merit and support quality Financial Value Bid responses.

MC 7 – Social licence commitments		
Element	Policy intention	Examples of what we are looking for
First Nations	To provide First Nations people with opportunities to increase skills and economic participation	<ul style="list-style-type: none"> ✓ Ownership sharing models for Traditional Owner groups. ✓ Partnering with First Nations employment services during pre-construction to support hiring and ongoing management of First Nations workforces. ✓ Funding to subcontract with First Nations businesses. ✓ Scholarships with local universities to support individuals transitioning from agricultural and mining sectors to the renewable energy sector. ✓ Funding to support work readiness (i.e., driver license attainment, secure accommodation, pre-apprenticeship training).
Shared community benefits	To encourage the establishment of programs and/or initiatives that have long-lasting and meaningful impacts on the community. The quality and impact of initiatives is valued over the quantum of initiatives.	<ul style="list-style-type: none"> ✓ Community co-ownership schemes. This can be utilised by projects in construction or already in operation. ✓ Inviting local community to coinvest in the project, with profits shared amongst community members. ✓ Virtual storage tariffs that allow local community members to opt-in to virtual hedging products for storage projects and receive cost-saving benefits. ✓ Optimised infrastructure to benefit neighbouring community, such as upgrades to degraded land/waterways located near to the project. ✓ Commitments to minimise environmental impacts and maintain high biosecurity standards.
Local employment	To encourage investment in local employment including skills, labour standards, and training, and capacity building to support the development of the renewable energy workforce.	<ul style="list-style-type: none"> ✓ Appointment of a regional economic development lead to engage with local businesses to maximise use of local industry during the project life. ✓ Appointment of a renewable workforce participation lead who is employed to engage with the community in developing the design of initiatives, implementing workforce skilling and pre-employment programs and initiatives including for underrepresented and disadvantaged groups, and adopting and maintaining labour standards. ✓ Contribution to, or funding of, locally based vocational education and training courses, as well as engagement with existing government and industry bodies to deliver new training to meet industry needs. ✓ Establishment of a learning hub for projects' local primary and high schools to support early-stage education in renewable energy concepts. ✓ Funding scholarships for school leavers, internships, mentoring programs, and return to work programs for women and mature age workers.
Local Content	To maximise use of Local Content (as defined in Schedule 8 of the CISA) and to incentivise Projects to proactively source Local Content or incorporate Local Content where possible. This	<ul style="list-style-type: none"> ✓ Funding research and development programs to drive innovation within local and Australian supply chains. ✓ Sourcing goods and services from local suppliers and SMEs. ✓ Funding to build the capacity of the local manufacturing sector.

MC 7 – Social licence commitments		
Element	Policy intention	Examples of what we are looking for
	may include the use of locally sourced materials and the engagement of suppliers that support the development of local supply chains.	

What Proponents need to know about the MC 7 Returnable Schedule

The Proponent must ensure the MC 7 Returnable Schedule provides the same social licence commitments as the Social Licence Commitments proposed for the purpose of the proforma CISA (including Schedule 8 – Social Licence Commitments).

Expression of values in the MC 7 Returnable Schedule

Proponents must provide firm values, and the period over which that value will be provided, in the form of real A\$ as at the Tender Date in the MC 7 Returnable Schedule. These values will become contractually binding in the case that a Proponent becomes a successful Proponent and enters into a CISA with the Australian Government (as per Section 4.29 of the Tender Guidelines).

Values should not be provided as a range. Where there is uncertainty, Proponents should provide the bottom of the range as a firm value.

For further guidance on how to populate the MC 7 Returnable Schedule see the instructions tab in the excel workbook.

Social Licence Commitment requirements

The Australian Government expects that as the energy market evolves, and workforces and supply chains mature, commitments to social licence will also improve. Social licence commitments will be assessed on a relative basis in each tender round for the CIS.

Where a Proponent is unable to provide social licence commitments or provides social licence commitments across less than all four elements, their Financial Value Bid may be scored lower relative to Financial Value Bids that are able to provide social licence commitments across all four elements. Where Proponents are unable to provide commitments, they may seek to strengthen their Financial Value Bid by:

- Providing detailed justification as to their level of commitment, including the demonstration of a clear understanding of local community needs and issues. This could be bolstered by providing evidence of broader organisational strategies and/or historical experience to deliver improved social licence outcomes.
- Demonstrating historical efforts toward regional economic development initiatives. Extensive efforts maintained throughout operation and maintenance phases will be assessed favourably.

Acknowledgement to Country | The Australian Government would like to acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, water and culture. We pay our respect to their Elders, past, present, and emerging.

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