

New offshore wind leasing for Scotland

Discussion Document

May 2018

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1. Foreword

“There are different emissions reduction pathways that could be followed, but my Cabinet colleagues and I have selected the path that we believe is the most beneficial to the people of Scotland.” (Ministerial Foreword to Scottish Government Climate Change Plan (RPP3))

Earlier this year in our [climate change plan](#), I set out our commitment to decarbonise Scotland’s energy supply by 2032. The plan is unashamedly ambitious and all encompassing. Climate change and our response to it touch every aspect of our society, economy and well-being – and never before has the moral, economic and environmental case for clean energy been more powerful or more pressing.

This plan followed the [Scottish Government’s Energy Strategy](#), published December in 2017, which confirmed Ministers’ intention to work with Crown Estate Scotland on the development of new offshore wind opportunities, as part of a whole-system approach to meeting a 2030 target of 50% of energy consumption (heat, transport and electricity) being from renewable sources.

Key to decarbonisation will be using our seas, sustainably, to power Scotland as well as providing certainty to businesses and investors in order to seize the economic opportunities offered by low carbon technologies, products and services.

This Discussion Document sets out Crown Estate Scotland’s proposals for the next round of offshore wind development in Scotland’s waters.

Already, much has been achieved with 211MW in operation (including Robin Rigg and Hywind Scotland, the world’s first floating offshore wind farm suitable for deep water sites), 680MW in construction (including Beatrice and the European Offshore Wind Deployment Centre), 1,400MW due to begin construction over the next few years and 4,000MW of projects that are consented or in the planning process.

And we need to do more.

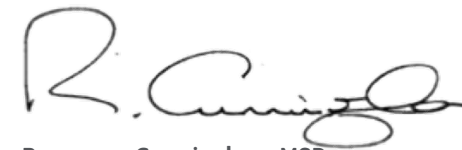
Scottish Ministers and Crown Estate Scotland share an ambition for Scotland to continue to provide seabed at the right time, in the right places and on the right terms, to successfully attract inward investment, develop new technology, build the domestic supply

chain, and drive costs down. That will help reduce greenhouse gas emissions and ensure Scotland benefits from the creation of green jobs, helping deliver a just transition to a more resource-efficient, sustainable and inclusive economy.

Critical to success here is the involvement of communities, local authorities and other stakeholders and I know that Crown Estate Scotland has already engaged with industry, NGOs and the public sector in seeking views and input to design this proposal.

The publication of this Discussion Document marks the start of the next phase of that conversation and I urge those who may be involved or impacted by offshore wind to share your thoughts and insights.

This will ensure that Scotland, collectively, continues to respond to the climate change challenge with innovation, optimism and commitment.



Roseanna Cunningham MSP

Cabinet Secretary for the Environment,
Climate Change and Land Reform

2. Introduction and context

Offshore wind in Scotland

Using our seas to power Scotland is important for our future economic and environmental wellbeing. Offshore wind has already attracted substantial investment, created jobs, and developed secure and affordable supplies of low-carbon electricity.

The latest competitive process for Contracts for Difference, announced in September 2017, indicate a sharp fall in the cost of offshore wind generated electricity. This trend appears to be consistent with results in other European markets.

Government policy on offshore wind

Policy related to offshore renewable energy straddles both UK and Scottish governments.

The UK Government is responsible for the energy market, including support mechanisms such as the Contract for Difference. The Scottish Government is responsible for planning in Scotland with an overall purpose of supporting sustainable and inclusive economic growth.

The UK Government's [Clean Growth Strategy](#) included a commitment from the UK Government to work with Crown Estate Scotland to understand the potential for deployment of offshore wind in the late 2020s and beyond. The Scottish [Government's Energy Strategy](#), published in December 2017, confirms Ministers' commitment to work with Crown Estate Scotland and Marine Scotland on new offshore wind, as part of a whole-system approach to meeting a 2030 target of 50% of energy consumption (heat, transport and electricity) being from renewable sources.

The policy environment is supportive of new offshore wind in Scotland, reflecting the global and domestic drivers for affordable, secure and clean energy. It is important that we enable Scotland to make the most of its resources and continue to grow the offshore wind sector.

It can take five to ten years to develop and construct a new offshore wind project. Crown Estate Scotland and the offshore wind sector therefore need to start work now to ensure new projects can be built from the late 2020s and onwards.

Crown Estate Scotland engagement on leasing

How Scotland uses its energy assets – including seabed – impacts businesses, communities and consumers. We have therefore taken a collaborative approach, involving a range of organisations in shaping this leasing process. Thank you to everyone who has contributed to date.

We started initial discussions with stakeholders during 2017, speaking with developers, industry bodies and NGOs to gauge industry appetite and establish what may be the key issues in relation to new offshore wind deployment generally, and in Scotland specifically. In November 2017, we announced that we would start detailed discussions in 2018 about granting options for leases to developers for the development of more offshore wind farms.

This document forms an important next step in our engagement, setting out our initial thinking on new offshore wind leasing, covering conventional water depths as well as deeper waters, so that those who may be interested can consider our proposal and comment.

About Crown Estate Scotland

Crown Estate Scotland manages leasing of the seabed (as well as other property) to generate revenue and value as well as wider public benefits. We work collaboratively, aiming to innovate with land and property to create prosperity for Scotland.

In offshore renewable energy, we are seabed manager, catalyst and supportive partner. Marine Scotland, as the regulator, is responsible for strategic marine planning, environmental considerations, regulatory compliance and assessing consent applications for projects.

Marine Scotland grants consents for projects. Crown Estate Scotland grants a lease of the seabed only once the consents and other required permissions are in place.

Our vision, goals and values guide all that we do.



3. Aim of leasing process and purpose of this Discussion Document

We want to devise a new leasing process which encourages developers to select suitable sites for new offshore wind development. This will support supply chain development and sector innovation, creating jobs and stimulating economic growth. To achieve this, the objectives of the leasing process are to:

- Provide **certainty and clarity** to attract investment in a UK, European and global marketplace
- Be **transparent, open and fair**
- **Stimulate competition and innovation**
- Allow **early engagement** with stakeholders

We are keen to ensure those who may be affected by our decisions know what we are considering, and provide a clear and simple way for them to respond to us. We would like to hear from local, Scottish and UK stakeholders including developers, industry bodies, fisheries interests, NGOs, local authorities and community bodies. Please have your say if you are interested in offshore wind leasing or likely to be affected by it.

Our statutory remit requires us to manage the Scottish Crown Estate in a way that realises its value. This means that some aspects of the leasing will be shaped by our legislative duties and constraints. However, there are many elements on which we are flexible and would value your input.

We invite general comments on any aspect of our approach set out in this Discussion Document. We have also included specific questions (indicated *Question[x]:...*) throughout the document and repeat these in Appendix 4.

4. Leasing explained

A Crown Estate Scotland lease provides a developer with the rights required from Crown Estate Scotland to construct and operate an offshore windfarm on the seabed. Other permissions are also required - a lease will only be awarded once all the key consents and permissions have been obtained from the relevant regulatory authorities including Marine Scotland.

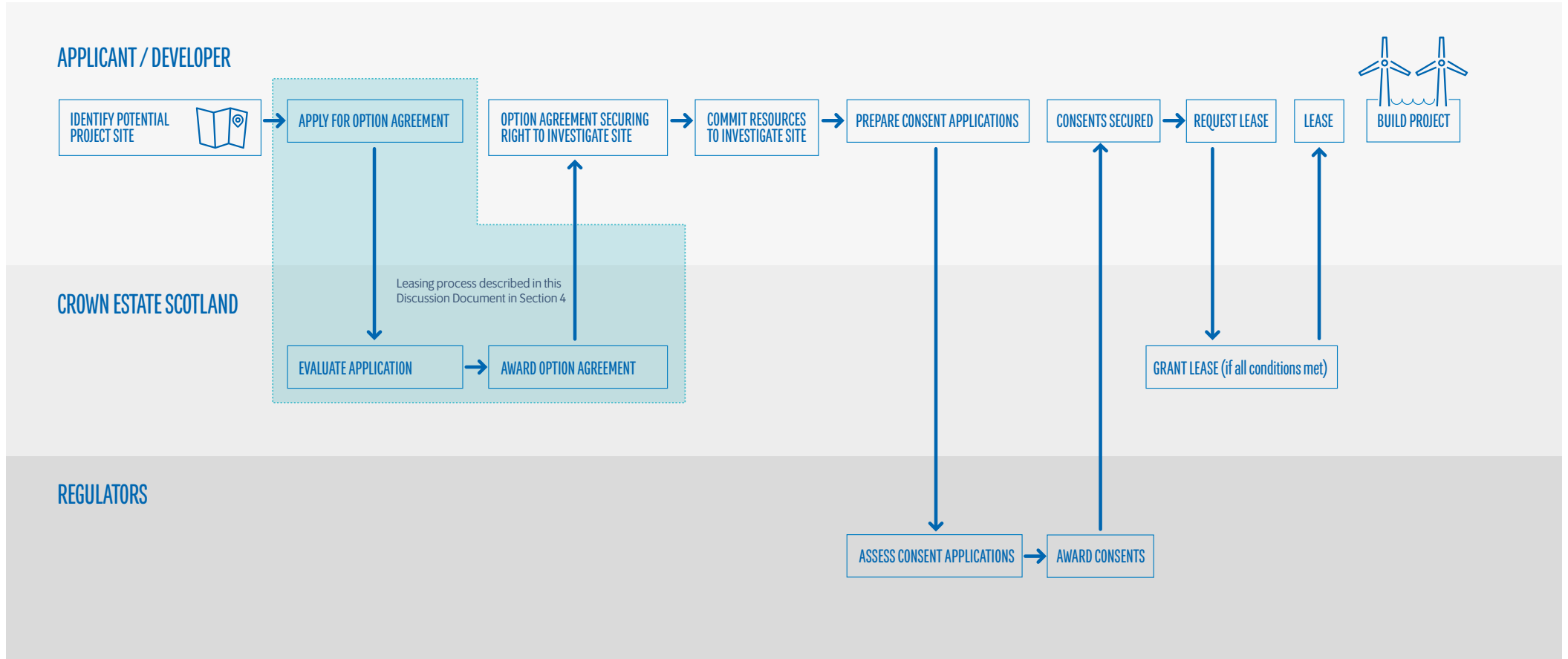
The work to collect information and prepare applications for consent can be time-consuming and expensive. A project developer therefore needs to have some confidence that it will be able to obtain a lease before making this investment.

To give that confidence, Crown Estate Scotland may award an Option Agreement to a project developer. This Option Agreement will set out the terms on which Crown Estate Scotland would grant a lease in the event that the developer succeeds in obtaining all the necessary consents.

The leasing covered by this Discussion Document is the process by which Crown Estate Scotland would receive and deal with applications for the award of Option Agreements, as illustrated in Figure 1.

New offshore wind leasing for Scotland

Figure 1 – Leasing in context



5. Marine Scotland strategic planning

Marine Scotland, as the planning authority for Scotland's seas and custodian of the National Marine Plan, will lead in the identification of potential option areas suitable for commercial scale offshore wind development.

As announced in the Scottish Government's Energy Strategy, Marine Scotland is working to identify potential option areas within which new offshore wind energy developments could take place. This will culminate in a new Sectoral Marine Plan for Offshore Wind for Scottish Waters.

As an initial step in preparing the Plan, Marine Scotland has started a scoping exercise to identify broad areas of search for offshore wind development. This scoping will be published for consultation later this year.

Following the scoping consultation, Marine Scotland will prepare an Initial Plan Framework which will further refine these broad areas of search. It is our understanding that Marine Scotland will undertake a Sustainability Appraisal of the Plan Option Areas, including a Strategic Environmental Assessment and socio-economic assessment, and a Habitats Regulations Appraisal. These will contribute to the production of a draft Sectoral Marine Plan for Offshore Wind.

In accordance with Scotland's National Marine Plan, applications to Crown Estate Scotland for new offshore wind projects should be sited within the strategic locations identified in the sectoral marine planning process, to ensure that environmental and stakeholder considerations shape the leasing activity. We intend to accept applications for any areas included in the sectoral marine plan. We will not develop a plan of our own, therefore we will not undertake any plan-related environmental assessments.

6. New offshore wind leasing

Our leasing needs to include the following key components:

- Identification of the seabed being offered
- The contract terms setting out successful applicants' use of the seabed
- A way of selecting successful applicants, if necessary resolving competing interest

In addition to requiring consistency with the outcome of the Marine Scotland planning process, we have taken into account a number of other points. These are:

- Pre-consenting or other preliminary work will not be undertaken to identify and part-develop sites or projects prior to seabed being offered in this leasing process. This is in contrast to some other European countries where the state undertakes preliminary project definition and some site development activities before tendering the rights to build and operate a windfarm on the site
- We intend to run more than one cycle of leasing
- Our leasing process will allow for projects in conventional water depths and also in deeper waters
- We do not intend to stipulate any particular technology solution or configuration at the application stage or in the Option Agreement
- From 1 September 2018 until further notice, the leasing round described in this Discussion Document will be the only route to obtain Option Agreements for new offshore wind projects, to provide a single and comprehensive route for awarding new seabed rights

Within this broad framework, we are open-minded on the final design of the leasing. To provide a focus for responses to this Discussion Document, we have outlined a provisional design for a leasing process. This design aims to strike a suitable balance: we have endeavoured to provide flexibility for developers, in a way which is satisfactory to a wide range of stakeholders, whilst unlocking wider benefits. The provisional design has been put forward as a starting point for discussion rather than a description of our intended final position.

A number of aspects of the design have been tailored to Scotland's requirements – we are aware that a different approach may be appropriate elsewhere.

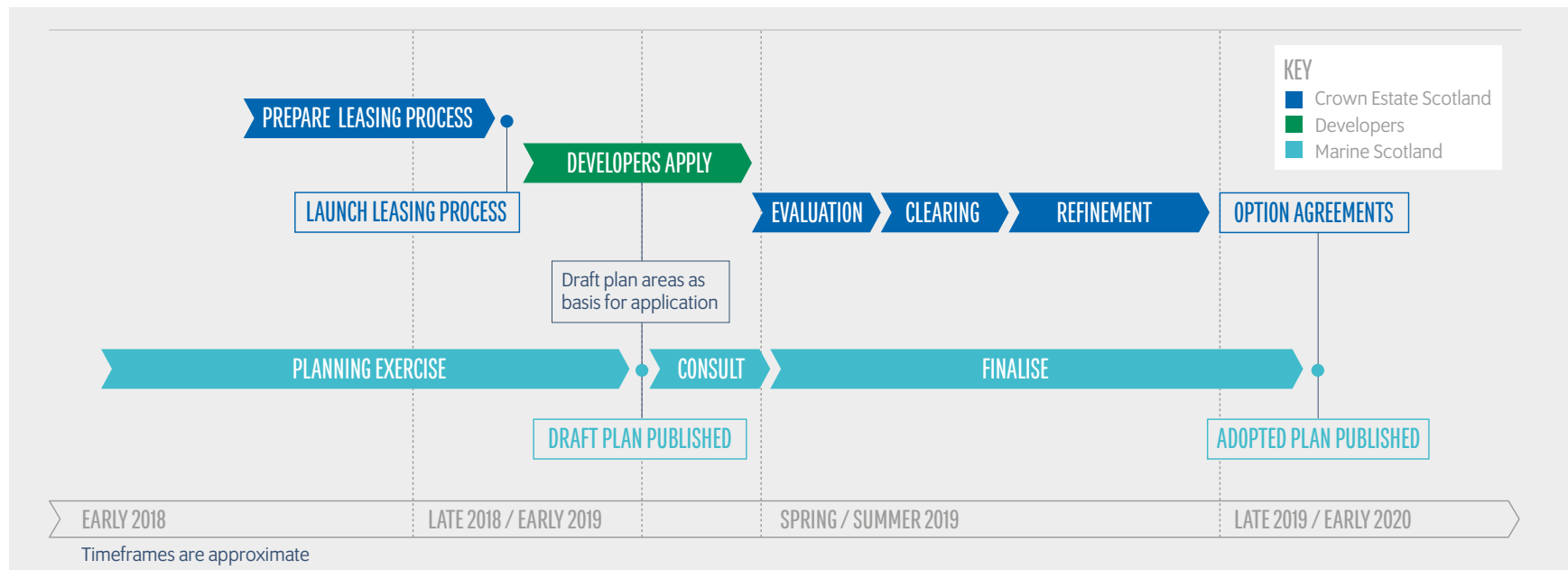
Overview of provisional design

The main components of the provisional design are set out in Figure 2, along with an indication of how those may link to planning activities undertaken by Marine Scotland.

In broad terms, the provisional design consists of:

- An invitation for applications, once the Marine Scotland planning exercise has reached the stage of consulting on a Draft Sectoral Marine Plan for Offshore Wind. We propose inviting applications at this stage to avoid delaying applications until a fully adopted plan is available. This creates some risk that applications may be made in respect of areas which are identified in the draft plan but are not carried through to the finally adopted Plan. We have catered for this in our proposed Clearing process
- An evaluation of the applications, taking account of characteristics of the applicant, the intended project, and the applicant’s assessment of the value of the Option Agreement it is seeking
- A Clearing process to see whether any applications which meet required minimum standards, but which were out-scored by competing applications or fall outside the adopted Plan, can be modified to be suitable for award of an Option Agreement
- A Refinement process to provide an opportunity for applicants to fine tune their projects – potentially involving stakeholder input – prior to finalising them
- Award of Option Agreements once the Sectoral Marine Plan for Offshore Wind has been finalised and adopted
- Option Agreements for larger areas which permit more than one lease, to allow staged development where that is needed.

Figure 2 - Leasing components and Marine Scotland activities



New offshore wind leasing for Scotland

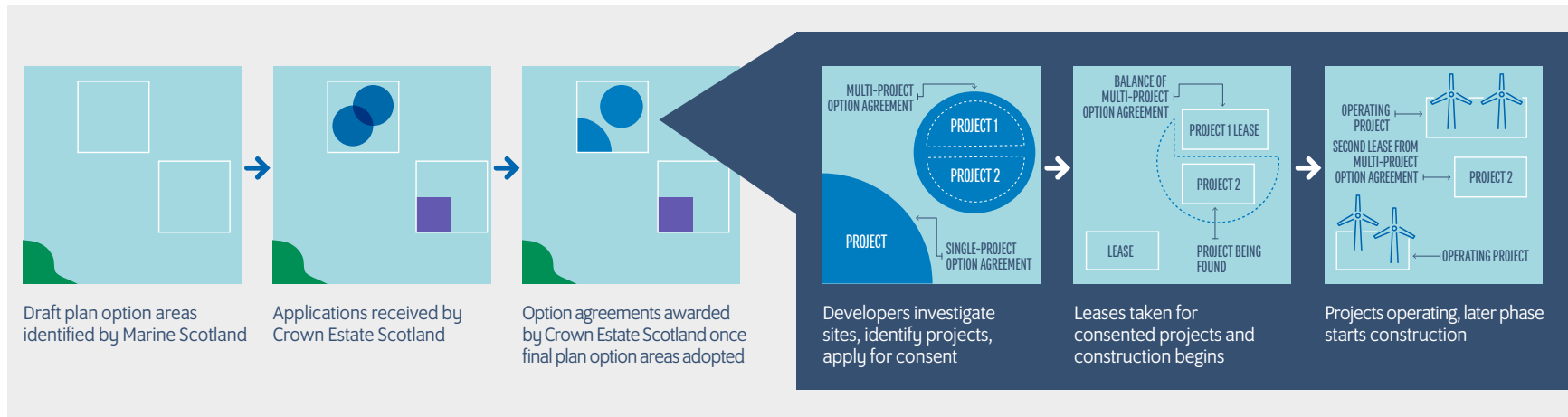
Option Agreements will give exclusivity of areas of seabed for offshore wind for a period of up to ten years, with an appropriate charge. Option Agreements will provide applicants with the required certainty that they will be granted a lease should they comply with a set of conditions within a ten-year period.

Question 1: Do you support our approach of accepting applications at the Draft Sectoral Marine Plan stage or do you favour applications being made only when there is a final adopted Plan?

Question 2: Do you have any comments on the timescales we have indicated in Figure 2?

Figure 3 illustrates how the provisional design might work in practice. A full description of the provisional design is given in Appendices 1 and 2.

Figure 3 – Leasing in context of offshore wind project development process



7. Offshore leasing and the wider context

Being awarded an Option Agreement by Crown Estate Scotland represents an important step for a developer in securing property rights to build an offshore wind project.

Separately (and outside the remit or control of Crown Estate Scotland) there are a number of consenting processes which a developer must go through to obtain the statutory permissions to develop. These consenting processes may well be informed by Marine Scotland strategic planning work.

There are therefore a number of separate work streams which have to be progressed before an offshore wind project can be developed including:

- The Marine Scotland strategic planning work
- The decisions which developers take about what areas of seabed to apply for in a leasing process
- The project-level site investigation and consenting which developers and other stakeholders will work through to determine whether a particular project can be progressed

We anticipate that developers will engage with stakeholders at an early stage as they select sites and prepare applications for Option Agreements, and that they will be able to benefit from experience and good practice which has been built up, including for example guidelines prepared by the FLOWW group (Fishing Liaison with Offshore Wind and Wet Renewables Group).

We would like our approach to leasing to help all parties to navigate a successful path through all the activities required for offshore wind to progress. We think that the best way we can help achieve a good overall result is:

- For us to invite views via this Discussion Document on the details of our leasing
- For us to be as open as possible about our approach to leasing to help inform stakeholders' engagement with the other parts of the process

The following sections comment on some of these wider aspects.

Strategic plan

Marine Scotland's strategic planning exercise is fundamental to our leasing and we encourage all interested parties to engage with that.

We think it may be helpful if there is good information available about which areas of seabed are likely to be of interest for offshore wind development i.e. technically suitable and likely to be cost-effective. We have therefore included a request for information of this type in Appendix 3. We intend to publish a summary of responses later in 2018.

If you have access to reliable information and / or relevant experience which you are content for us to summarise and publish, please provide us with information under the headings set out in Appendix 3 (Identifying areas of developer interest for offshore wind).

Grid connections

Offshore wind projects are typically connected to the electricity grid. The codes and regulation which govern the grid allow it to be developed in response to new requirements for connections and for transport of energy. The existing grid configuration is therefore not a 'given' within which development must be arranged. This means that Marine Scotland's strategic planning and Crown Estate Scotland's leasing can cater for new offshore wind capacity which goes beyond that which could be accommodated by the grid as it is today.

While the grid can develop to meet future requirements, there are some practicalities to consider. The lead-times and costs of new electricity capacity, including alleviation of transmission system congestion, mean electricity system considerations are likely to influence the timescales and levels of new offshore wind capacity. The cost of new infrastructure to allow connection of new capacity at different points on the network may also vary, so some patterns of new capacity may be cheaper than others to accommodate.

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It may therefore be beneficial overall if the Sectoral Marine Plan, the Crown Estate Scotland leasing and the decisions taken by developers applying for Option Agreements together reflect these practicalities, to the extent that it is appropriate to do so. Our request for information about areas of developer interest in Appendix 3 may help with this because we anticipate that developers' views about cost-effective grid connection will be one consideration included in any responses we receive.

There may be other steps which can be taken which would further assist.

Question 3: *What could be done which might result in the level and location of project development interest aligning well with how the grid might be developed?*

Partnerships with economic development organisations

A number of organisations in Scotland may be able to support successful development of offshore wind projects (e.g. Scottish Government, Highlands and Islands Enterprise, Scottish Enterprise and South of Scotland Economic Partnership). Supporting organisations may benefit from early stage indicative information about the projects which applicants are considering developing: having a snapshot view across the full suite of applications at an early stage may provide a valuable resource for partners in developing strategy and actions for the 10 to 15 year period during which projects may be progressed.

We are considering inviting applicants to provide non-binding, indicative information at a level of detail appropriate to the early stage in the development process, covering headings such as: project scale, project technology envelope, timescales, indication of supply chain strategy and skills requirements.

We would consider making the information we receive available to organisations with a role in economic development and to local authorities' economic development and planning departments.

Question 4: *Do you (potential applicants) anticipate being willing to include non-binding information of this kind when making an application to Crown Estate Scotland which can be shared?*

The provisional design of our leasing includes flexibility which is intended to permit the development of projects and a supporting supply chain which can be cost effective, while helping realise wider benefits. We have sought to balance that flexibility with some limitations, to ensure that those who are successful in securing an Option Agreement then proceed to develop a project. We would like to know if any aspects of the provisional design appear as if they might be a barrier to cost effective projects being developed.

Question 5: *Are there aspects of the provisional design of the leasing process which may be significant barriers to the establishment of cost effective projects and supporting supply chain?*

Question 6: *Please provide us with your ideas on how wider benefits from the development of offshore wind might be realised.*

8. How to respond to this document

We hope this document is useful in setting out our current thinking on new offshore wind leasing in Scottish waters and explaining how our actions and decisions might fit in with others.

We are seeking views on our initial design so that we can improve and finalise it. Please respond to marine@crownestatescotland.com using the form in Appendix 4. Please include any reasoning and evidence in support of your comments as that will help us take account of potentially diverse views.

Crown Estate Scotland is subject to freedom of information regulations and may have to release information we receive in response to requests – we will discuss with you any requests we receive about information you provide.

We have arranged meetings to introduce the Discussion Document as follows:

Thursday 24 May – developer session, London
Tuesday 29 May – developer session, Edinburgh
Monday 4 June – stakeholder session, Inverness

Invitations have been issued to developers and stakeholders on our contacts list. If you have not received an invitation then please register your interest by emailing marine@crownestatescotland.com. The events will be on a first come first served basis and subject to availability of spaces. We may run further meetings or host conference calls if there is a requirement.

Clarifications and explanations given by Crown Estate Scotland at these meetings will be summarised and published for the benefit of those unable to attend.

Queries on the Discussion Document can be directed to Hannah Hendron, Policy and Planning Manager: hannah.hendron@crownestatescotland.com / tel: 0131 260 6107.

Our deadline for responses is **31 August 2018**. If you need more time to respond then please let Hannah know.

We will publish a summary of responses to this Discussion Document on our website. We will also publish a separate summary of information we receive identifying potential areas of developer interest for offshore wind in response to the questions in Appendix 3 of this Discussion Document. Responses to this Discussion Document and to the questions in Appendix 3 will not be attributed.

Appendix 1: Offering and overview of agreement terms

This Appendix, which should be read together with Appendix 2, sets out the main points of our provisional design for offshore wind leasing.

Interval between cycles of leasing

We intend to run more than one cycle of leasing. Having a minimum interval between cycles of leasing allows time for work to commence on awarded sites and for reasonable separation between stakeholder engagement and consenting activities linked to different cycles.

Having multiple cycles of leasing provides the possibility of progressive development over time and allows applicants to take a staged approach to securing Option Agreements rather than trying to provide for all their foreseeable requirements in a single leasing round.

If the interval between cycles of leasing is quite long then there will be a tendency for applicants to consider the earliest cycle of leasing as the only one of relevance. A long interval between cycles will also mean that an unsuccessful applicant will have longer to wait for the next opportunity to apply.

An interval of 24 months between each cycle of leasing appears to us to strike a reasonable balance between these considerations.

Question 7: *Should an interval other than 24 months be adopted between cycles of leasing? Is there a more appropriate time gap?*

Site boundary

We will invite applications covering unleased areas of seabed forming part of the Scottish Crown Estate, which are included in the draft Sectoral Marine Plan for Offshore Wind, comprising territorial waters (out to 12 nautical miles) and the Renewable Energy Zone (from 12 nautical miles out to 200 nautical miles).

We have based this provisional design on allowing applicants to select the location, size and boundary of the seabed area covered by their application. We recognise

that scale of activity may be important to the viability of projects and may have a bearing on the development of associated local supply chain.

We propose to let applicants have full flexibility when deciding on site boundaries. However, to balance this we propose:

- A charge which is calculated per km² of seabed covered by the Option Agreement
- A Development Budget which is assessed as part of the application evaluation and is benchmarked against the km² area of seabed occupied by the Option Agreement
- That the intended density of development will be taken into account in the scoring of applications

Question 8: *Do you agree with our proposal to enable applicants to select site boundary and size?*

Possible inclusion of upper limit on application area

There may be an upper limit on the size of project which is practicable to develop over the ten-year Option Agreement period.

It may provide useful certainty to stakeholders and applicants if we place an upper limit on an application area. If we do include a limit we would like to set it at a level where it is unlikely to prevent viable applications from being made, whilst giving certainty that there is a limit.

Two or three phases of development may be possible over a ten-year option period. Considering recent patterns and trends, an area of less than 1,000km² is likely to be sufficient for each phase. We are therefore considering including an upper limit on the size of an application. We think that a limit in the region of 3,000km² may be about right. This limit does not indicate our expectation that projects will necessarily be at this scale, but provides a ceiling on application areas.

Question 9: *Is a ceiling on application size required? If required, what area would be realistic to develop over a ten-year Option Agreement term?*

Agreement terms

Level of charge for Option Agreement – set by Applicant Valuation

We will charge a fee for the award of an Option Agreement which will be reflective of the market value of the rights granted.

The value of the rights granted under an Option Agreement may differ with location – an Agreement covering a prime area for offshore wind projects might have a higher value than an Agreement covering a less suitable area. The value of the rights granted may also differ depending on the intended use of the seabed – an Option Agreement over the same area of seabed may have a different value to different applicants, depending on the value of their respective proposed projects. We propose allowing the applicant to influence the fee for an Option Agreement, to reflect these location-specific and project-specific aspects:

- The level of fee will be linked to the km² of seabed area
- We intend to set a base level fee which can be adjusted by an Applicant Valuation level (£ per km² of application area) which will be proposed by the applicant. Our intention is to allow applicants to assess the value to them of the rights being sought under the Option Agreement, and propose an Applicant Valuation which reflects that
- The Applicant Valuation may be positive or negative. If an applicant calculates that the award of an Option Agreement is worth less to them than our base level, a negative Applicant Valuation can be proposed to reduce the charge for an Option Agreement below the base level. For example, if the base level was £1,000 / km² and an applicant regarded an Option Agreement as worth £750 / km² then they could specify an Applicant Valuation of negative £250 / km²

- We will also set a minimum level of fee for the award of an Option Agreement. Negative Applicant Valuation adjustments will not be allowed to reduce the fee below this minimum level. We will not place a ceiling on the Applicant Valuation which may be specified in an application, but anticipate that commercial considerations will limit valuations to a level appropriate to the intended project
- As well as setting the level of fee, the Applicant Valuation figure will also be a factor in resolving competing interest if that arises
- In line with our statutory obligations, we will set the base level and the minimum level by conducting a survey of available evidence of current market valuations and previous UK valuations for offshore wind Option Agreements.

The profiling of the fee over time and the link between the fee and particular events (such as the award of an Option Agreement and the grant of a lease) has not yet been decided.

Question 10: *What is your opinion of our proposed approach to Option Agreement fees?*

Option Structure

The Option Agreement will be quite flexible in nature, allowing the applicant the freedom to select the scale and other details of the project it intends to locate within the area covered by the agreement during the ten-year option period. This is in light of the significant uncertainties in the type and scale of project which will be consented and what will ultimately be financed for construction.

The intended project capacity set out at the application stage will not be carried through into the Option Agreement as an express requirement or milestone.

A material part of the total charge for an Option Agreement will be payable at the time the Option Agreement is entered, for example 50% of the total charge, to secure commitment to the project. The balance of the charge can be structured in different ways to incentivise different aspects of the development process and we have not yet decided how we will do this.

Option Agreements permitting the exercise of more than one option

We think that an Option Agreement which caters for multiple phases of development may be useful for larger areas. We would like to streamline our agreements and do not think that multiple leases will be necessary for areas below a certain size. Projects up to 1 GW might be tackled as a single phase, and projects at this scale could be achieved in seabed areas of more than 150km². We therefore propose:

- A single-project Option Agreement is made available for applications of 150km² and below.
- A choice of multi-project Option Agreement or a single-project Option Agreement can be requested for larger areas.

A single-project Option Agreement would permit the exercise of a single option for a lease of the part of the Option Agreement area which has been consented for an offshore wind farm. The lease may include the entire Option Agreement area, or part of it, as needed for the consented project.

A multi-project Option Agreement would permit the exercise of more than one option: the first option exercise could result in a lease of the entire Option Agreement area, or part of it, as needed for the project consented at that time. Any part of the Option Agreement area not covered by the first lease would be available to be included in a second lease via exercise of a second option, to construct a further consented project. Exercise of further options under the Option Agreement would be permitted within the ten-year option period for as long as there was unused seabed within the original Option Agreement area. This is illustrated in Figure 3.

The multi-project Option Agreement may include some definition about the minimum and maximum sizes of each lease, and may include more detailed milestones governing development activity than would the single-project Option Agreement.

Question 11: *Do you agree that single-project Option Agreements are sufficient for areas of 150km² and below?*

Milestones, phasing and timescales for development: single-project Option Agreements

To provide flexibility in the Option Agreement, and minimise the requirement for reporting and administration, we have identified two milestones which we could include in a single-project Option Agreement to incentivise timely development.

Milestone 1 (Commencement): We propose a milestone requiring a proportion of the development budget to be committed, perhaps on specified actions, no later than a certain period of time after the Option Agreement is awarded, otherwise the Option will lapse and the Agreement will be cancelled. The development budget is proposed by the applicant and will have been assessed as part of the evaluation of an application as being reasonable for the size of area covered by the application. The intention of this milestone is to ensure that a material proportion of the development budget is sunk into the project, to create an incentive to complete the development stage to be able to earn a return on the sunk investment.

This milestone will therefore detect cases where work is not progressing sufficiently early in the life of the Option Agreement – the cancellation of which would allow the opportunity for alternative applications to be made for the seabed. For larger areas, the development budget might be £30m or more. We think a suitable proportion of the development budget to require to be committed at this stage is in the range 30% to 50%.

This milestone is not intended to be difficult to achieve, because that could be a barrier to committing site development investment in anything other than low-risk circumstances. It is intended to identify cases where development is not progressing at all reasonably. That means that the time permitted for the required proportion of the development budget to be committed should include reasonable provision for delays. We think a deadline for this milestone in the range 24 months to 48 months would be desirable, for seabed to be made available for alternative applications in good time.

Question 12: *What is the best combination of elapsed time and percentage commitment of development budget for Milestone 1?*

Question 13: *Is it preferable that we define specific actions which the budget must be committed to, or will the milestone provide a suitable incentive by specifying the proportion of expenditure alone?*

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Milestone 2 (Consent application): Applications must have been submitted for Key Project Consents a suitable number of years into the life of the Option Agreement, otherwise the Option will lapse and the agreement will be cancelled.

This milestone is intended to identify cases where there is no realistic prospect of successful development, towards the end of the life of the agreement but earlier than would be the case if the agreement were left to lapse naturally. We think that a hard deadline for consent application might be appropriate between 24 months and 12 months from the end of the Option Period.

Question 14: *What is the earliest we might set a deadline for consent application that does not risk cancelling Option Agreements held by projects which could otherwise have been successful?*

Milestones, phasing and timescales for development: multi-project Option Agreements

For multi-project Option Agreements, Milestone 1 (Commencement) could be broken down into two or possibly three components to describe a reasonable spend profile for multiple phases of development activity – with the total spend covered by the milestones taken together being the same level as is required for Milestone 1 of a single-project Option Agreement, but recognising that expenditure is likely to be spread over time.

We recognise that the timing and scale of successive phases may not be known with certainty at the application stage and do not propose to tailor Milestone 1 to precisely reflect the details of each intended project. Instead, we favour having a broad-brush approach to Milestone 1 for multi-project Option Agreements. As with the single-project case, the milestone is not intended to be difficult to achieve, but is intended to identify cases where development is not progressing at all reasonably.

We think that two components of Milestone 1 would be likely to strike an appropriate balance. For the purposes of illustration, suppose that Milestone 1 for a single-project Option Agreement requires 40% of the development budget to be committed by 36 months. In line with that, the multi-project milestones could then be:

Milestone 1.1 – commit (1/3) x 40% of the development budget by 36 months

Milestone 1.2 – commit (2/3) x 40% of the development budget by 84 months

reflecting a notional three-phase development approach with two years between commencement of each phase, and Milestone 1.2 intended to reflect the stage in the project where work on the second and third phases is well in hand.

Question 15: *Is a broad-brush approach to Milestone 1 (Commencement) viable for multi-project Option Agreements, or is it unlikely to be possible to select parameters which give worthwhile incentives whilst not posing undesirable risks to some potential developments?*

Question 16: *Assuming two broad-brush milestones could be worthwhile, what is the best combination of elapsed time and percentage commitment of development budget for Milestones 1.1 and 1.2?*

Lease Structure

Each lease will provide rights to build and operate an offshore wind farm of a specified installed capacity. Features we are considering including in the lease are:

- The rent payable is approximately 1% to 2% of project revenues during the operating period and a suitable base level at other times, in line with our statutory obligations
- Profiled build-up of rent to incentivise timely completion of construction
- An initial term in the region of 40 to 50 years (to include construction and decommissioning time)
- A break (ending the lease) at tenant request on a notice period in the region of 2 years

We would like to incentivise timely completion of construction without recourse to hard milestones or deadlines. We propose to include a requirement to pay rent at a profile which increases at the rate which a project could reasonably be expected to commence operations. As an indication of the kind of profile we might adopt, an assumed programme might be:

- i. 12 months post financial close prior to commencement of construction
- ii. 24 months construction and 12 months post commissioning

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The lease would stipulate an installed capacity and a related forecast energy production from the project. Rent could be charged per MWh on the greater of (the actual output, and 35% of the forecast output) from the start of the fourth year after the lease was entered and the greater of (the actual output, and 70% of the forecast output) from the start of the fifth year after the lease was entered.

Question 17: *Does profiling of rent along these lines provide a suitable incentive to commence operations in a timely manner?*

Guarantees

In line with standard commercial practice, we intend to require appropriate financial or performance guarantees to be established. The level of guarantee required will reflect the stage of project development. There will also be flexibility regarding how those guarantees can be delivered (e.g. Parent Company Guarantees, Letter of Credit). Appropriate Guarantor Covenant Strength tests will be applied.

Change of Control

Our agreements will include provisions requiring our consent to any changes of control of tenants.

Alienation

Our agreements will include provisions requiring our consent to assignation of the developers interest in the Agreements.

Appendix 2: Application and selection process

Overview

The selection process is intended to identify those applications which will make efficient use of the seabed, and are likely to progress successfully and result in operating offshore windfarms.

When an application is not in competition with any other application, the purpose of the selection process is to establish whether the application meets a required minimum standard. An evaluation will be completed in line with published criteria and the results will be used to determine:

- i. whether minimum requirements have been met and
- ii. where there is competing interest in a location, the preferred application

We have proposed a Clearing process which will allow any applicants who meet the required minimum standards, but which are out-scored by competing applications, to see if they could modify their application to be suitable for award of an Option Agreement.

We wish to invite views on the usefulness of a Refinement process which could provide an opportunity for applicants to fine tune their development approach or their intended projects prior to finalising them.

Registration and Application

Applicants will complete an application pack, which will request the following:

- Information about the applicant
- Information about the intended project
- An “Applicant Valuation” adjustment to the base level charge for an Option Agreement

An application fee will be charged to cover the administration cost of the leasing process.

We do not currently intend to limit the number of applications that each organisation may make, although we will consider this point in more detail once other aspects of the process are more settled. For example, if we do not include a Clearing stage, applicants might be more strongly incentivised to submit multiple applications which may make a limit desirable.

Evaluation

We propose to focus our assessment on the aspects of an application set out in Table 1. This is our current thinking - we may amend or refine the categories, headings and requirements as we develop the leasing process further.

Table 1 – Basis of evaluation

CATEGORY	HEADING	REQUIREMENT
Developer	Development budget	Applicant to propose a budget and rationale which gives confidence that the proposed budget will be sufficient for the project to progress and achieve consent, and complete front-end design, to be ready for an investment decision in construction. Construction funding itself is not included in the development budget.
	Developer financial resources	Evidence that the proposed development budget will be available.
	Commitment to the project	Evidence of corporate commitment to progress the project.
	Capability and experience	Evidence that the required capability and experience to progress the project is available and / or will be secured.
Project	Project delivery plan	Credible plan for how the development budget will be applied to the project to progress it to consent stage and beyond.
	Project concept	Feasibility study of intended project showing likely density of operating capacity (MW per km ²), with that density falling in an acceptable range.

We intend to focus our evaluation on the individual merits of applications based on factors such as whether the tenant appears to be suitable and whether the intended project is likely to use the seabed resource appropriately (e.g. whether it is targeting a minimum acceptable energy capacity and financial income for Crown Estate Scotland). We do not intend to try to gauge whether one application boundary or intended project is preferable to another by considering precise details of the intended projects.

Different levels of assessment of the project delivery plan are possible. A simple assessment could be made of whether a plan exists which would enable data collection to be done and consent applications to be submitted. A deeper assessment could also consider whether the project that the consent application was intended to be based on was likely to achieve the required consents and was likely to be economically viable and therefore reach financial close for construction. The deeper assessment touches on points increasingly relevant to our objective – we want to find applications which will be constructed successfully – but can be difficult to reach robust views about at the application stage. We will do further work, informed by responses to this Discussion Document, to determine where we should pitch our evaluation under this heading.

The details of the project concept may be uncertain at the application stage, so evaluation of the likely density of operating capacity needs to be broad-brush.

However, some consideration of intended project capacity is appropriate in the situation where competing applications intend widely differing levels of utilisation of the seabed (i.e. density of capacity in MW per km²). If two applications were otherwise comparable, but one intended greater density of deployment, we would take that into account. This aspect of the evaluation is not intended to strongly favour maximum intended capacity, or density of capacity, but rather to differentiate between cases where radically different levels of utilisation of the seabed are intended.

Question 18: *Do you think the information we are requesting at this stage is appropriate? Is there anything else you would expect to see on the above list to help us reach robust selection decisions? Please explain.*

Question 19: *What aspects of the plan for project delivery are most material in identifying applications which are likely to progress successfully?*

Question 20: *What aspects of the project concept can be assessed at the application stage and in what level of detail, to determine a realistic estimate of the amount of operating capacity likely to result from an application?*

Minimum separation and identifying competing interest

The leasing process will, in combination with the Sectoral Marine Plan for Offshore Wind and the decisions which developers take, shape the projects which receive Option Agreements and begin to progress through the consenting process. It is possible that our leasing process could result in clusters of Option Agreements within an area identified in the Plan. It is not clear how likely that would be until the Sectoral Marine Plan for Offshore Wind has been finalised, but we want to raise this as a discussion point to collect views now. Assessment of cumulative and in-combination impacts of clusters of proposed projects may be challenging, and there could be benefits in reducing the likelihood of clustering.

We could “tune” our leasing process to make clustering less likely – for example by increasing the minimum separation we require between Option Agreements within each area identified in the Sectoral Marine Plan, or by altering other aspects of the process. If we include features of this kind at an early stage in the overall development process, it is possible that we might needlessly rule out developments which may have been viable; alternatively, we might materially assist in a smooth development path by limiting the complexity of the challenge faced by the consenting process. Reducing the likelihood of clustering will increase the chances of competition for sites, and in the event that competition does occur, will increase the number of unsuccessful applicants.

Question 21: *Should we try to reduce the chances of clustering occurring?*

Two applications will be regarded as in competition with each other for the purposes of our leasing if the nearest point separating their application boundaries is less than a specified minimum distance. Option Agreements will not be awarded closer than this minimum separation, and any two applications whose boundaries come closer than this distance will be treated as being in competition.

The separation between Option Agreements could be set by reference to various factors including, for example, wake effects or by considering a minimum separation which might lower the likelihood of cumulative and in-combination effects between applications.

Question 22: *What is the correct minimum separation we should allow between projects? Please explain.*

Combining scoring

An application must meet a minimum required standard in each of the headings set out in Table 1 before it will be accepted. An application which fails to meet the minimum standard under one heading, but exceeds it under others, will not be taken to the next stage, since each heading bears independently on the likelihood of a project progressing successfully or on how efficiently seabed is intended to be used.

Since each applicant selects its own application area boundary, those applications which are in competition are unlikely to have identical boundaries – competing applications may not overlap but be nearer to each other than the required minimum separation, or there may be partial overlap or full overlap. To allow comparison of competing applications, all the evaluation criteria that relate to the application area are handled on a per km² basis rather than an absolute basis and are then converted into a score. (For example, the suitability of the development budget is gauged by reference to the application area, and the Applicant Valuation is expressed per km².) There will be a small number of steps on the scoring scales – probably around three or four – so a particular score will correspond to a fairly broad band under the heading being scored, reflecting the limits to how fine-grained an assessment can be made at an early stage in a proposed project.

The sum of the scores under each heading in Table 1 will be totalled for an application. The Applicant Valuation will be weighted and added to the total to give an overall score for an application. The weighting will be set so that the Applicant Valuation has the effect of separating competing applications which would otherwise be tied, but the Applicant Valuation will not carry sufficient weight in the scoring to be able to overturn a ranking where two competing applications achieved different scores under the headings in Table 1. For example, if possible scores under each heading in Table 1 were 1, 2, 3, ... then the Applicant Valuations for a group of competing applications would be weighted to be in the range 0.0 and 0.5. That way, the Applicant Valuation could separate two applications whose scores under the headings in Table 1 came to the same totals. Weighting the maximum score from the Applicant Valuation as 0.5 means the Applicant Valuation would not result in a weaker application with a lower score under the headings in Table 1 from achieving a higher overall total score than a stronger application with a higher score under the headings in Table 1.

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The highest scoring application in a group of competing applications would proceed to the next stage of the process. Other applications would need to be modified in a Clearing process before they could progress further.

Clearing

We are considering including a Clearing process for any applications that meet the required minimum standard but were out-scored by competing applications or fall outside the final adopted Sectoral Marine Plan.

Clearing could permit applications which were not initially successful, or fell outside the final Plan, to be varied by the applicant. If an application is successfully varied then it can also be accepted. The Clearing process may result in further competition amongst applications – during that second stage of competition, an additional factor could be taken into consideration: the number of applications which a group is pursuing will be considered, with an applicant with fewer sites receiving a higher score than one with more.

There are three steps to the Clearing process:

Step 1. Scoring determines the highest ranked application in competitive situations; that application progresses to the next stage without any modification.

Step 2. Lower ranked applicants, and those not covered by the final Sectoral Marine Plan, can modify their applications to:

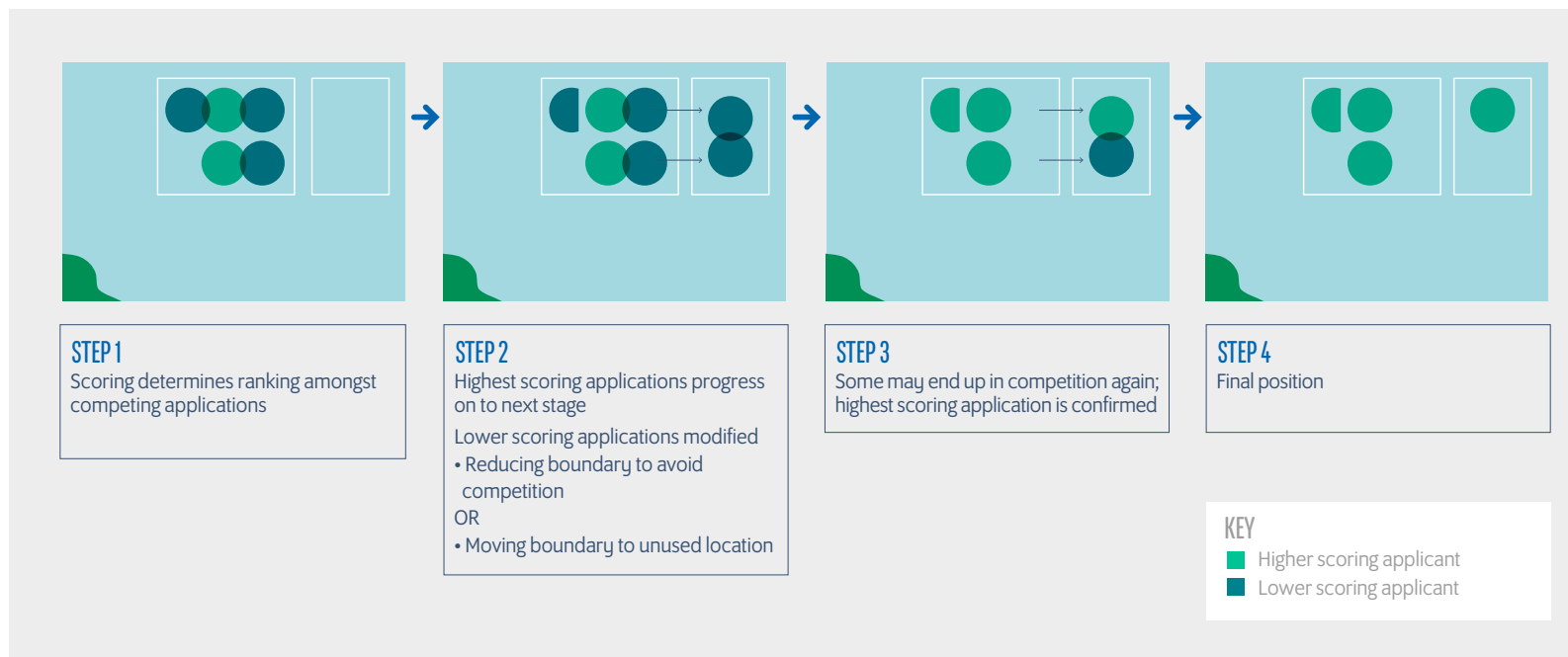
- a. Simply reduce the boundary (to remove competition, or come inside the final Plan)
- b. Change the boundary (to remove competition, or come inside the final Plan) and include new seabed (for example to retain a viable scale of application) in a way that does not put the application into competition with any other original application. Moves to completely new sites are permitted at this stage, there is no requirement to retain any of the original application area

Step 3. Applicants who choose under Step 2b to include previously unused seabed may end up in competition again, if more than one applicant chooses the same new area of seabed at Step 2 of Clearing. In that case, the highest scoring application in this new instance of competition will be taken to the next stage of the process, and lower scoring application(s) will not be taken further – there is only a single step of Clearing.

Applicants can amend their application information, including Applicant Valuation, to be appropriate to the new boundary.

Figure 4 shows the three steps of the Clearing process.

Figure 4 - Clearing



Having a Clearing process introduces potential uncertainties in the relationship between the project applied for, and the project that might be awarded an Option Agreement. However, the Clearing process reduces the risk that the work in making an application will not result in success.

The Clearing process may also reduce the number of applications which are unsuccessful, resulting in a greater area under Option Agreements and a larger number of Option Agreements, from a cycle of leasing.

Question 23: *Should we have a Clearing process? Please explain.*

Limiting

Limiting the total seabed awarded

If the Sectoral Marine Plan identifies a limit on how much of a plan option area should be developed, or what proportion of it should be developed, or the timing of any development, then we will apply our scoring to ensure that only applications up to the level allowed for in the Plan are taken forward in a given cycle of leasing.

There may be a practical limit on the amount of offshore wind capacity which could practicably be developed from a single cycle of leasing. A large number of factors could contribute to that limit (such as grid infrastructure, consenting considerations, the ten-years available under an Option Agreement).

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We would prefer not to introduce any limits on overall award except if that is necessary for consistency with the Sectoral Marine Plan. However, we would like to invite views on the idea since it is possible that on balance stakeholders and potential applicants may prefer to know that there will be some limit on the area of seabed which could obtain Option Agreements in a cycle of leasing.

Question 24: *Is limiting the total seabed awarded in a cycle of leasing something we should consider? If we limit, what level should we consider (or what rationale should we consider adopting)?*

Limiting the amount awarded to individual companies or groups of companies

If at the end of Clearing, one applicant (or group) has a sufficiently large area covered by potential Option Agreements or has many potential Option Agreements, we may at our discretion decline to award some Option Agreements or reduce the area of one or more potential Option Agreements.

We only intend this limit to be applied if there is credible evidence that a large individual holding of seabed may be better used if part were held back to be applied for in a subsequent cycle of leasing.

An alternative approach might be to have more numerous and onerous milestones in Option Agreements which would reduce the likelihood of parts of an individually held portfolio from lying dormant – but our provisional design is based on the idea of having flexible Option Agreements and avoiding potentially onerous terms which may form a barrier to investment.

Question 25: *Do you support us reserving the ability to limit dominant holdings of seabed?*

Refinement

At the point where the applications which have met the required minimum standards and been successful in competition and Clearing are known (but before Option Agreements are finalised), we are considering including a Refinement stage.

Until this point, each applicant only knows its own intentions and not those of any other applicants, and stakeholders may have some awareness of the intentions of some applicants but may not be aware of the full picture. Crown Estate Scotland could provide each applicant with information about the full set of potential Option Agreements on a confidential basis, potentially ranging from simple boundaries only to boundaries indicating intended project size and other details, and either identifying or keeping anonymous the applicants for each area. It would also be possible to provide the same information either to selected stakeholders or to publish it openly.

We could then allow a further period of time for applicants to reflect on their proposed Option Agreement, and this could then potentially result in:

- Minor reduction of application area at the discretion of the applicant, perhaps on the basis of stakeholder discussion
- A decision by an applicant to withdraw an application
- A request by applicants to amalgamate applications with only minor changes to the original applications
- The development of more or less binding agreements between neighbouring applicants relating to aspects of the development process, for example: arrangements to harmonise the environmental datasets collected, the methodologies used to prepare consent applications, the routing of cable corridors to shore, or other areas of mutual interest

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There are some constraints on what could be achieved in a Refinement stage:

- Competition regulations designed to prevent collusion may limit what could be permitted
- At the application stage there may be insufficient information available and too much inherent uncertainty to determine whether neighbouring applications did pose a risk to each other. Further, supposing it could be clearly established that two projects in an area would be less likely to progress successfully in an area than a single one, there may be no incentive on either applicant to be the one to give way
- It would not be appropriate for Crown Estate Scotland to become actively involved in any Refinement decisions – our activity will be restricted to providing a framework within which applicants may exercise their own discretion
- It will not be possible for stakeholders to give informed views on many questions, at the Refinement stage, because the information required will not be available. For example, environmental stakeholders may not be able to form a view of the acceptability or otherwise of cumulative and in-combination impacts of clustered applications until survey data on the site have been collected

Any Refinement stage which is included in the leasing process must have clear parameters and definition as to what changes could be made to applications at that stage. Only minor changes to the original applications could be permitted at this stage, to avoid rendering the competition process unfair.

Question 26: *Should a Refinement stage be included?*

Question 27: *What should be included in the scope of a Refinement stage?*

Option Agreement

An Option Agreement will only be awarded to successful applicants by Crown Estate Scotland once the final Adopted Plan is available.

If it is indicated that a final Adopted Plan will not be published until later than expected, Crown Estate Scotland may consider granting an Exclusivity Agreement to give applicants a greater degree of contractual certainty over a site, prior to entering a full Option Agreement.

Appendix 3: Identifying areas of developer interest

This is a request for information. If you have access to reliable information and / or relevant experience which you are content for us to summarise and publish, please provide to us information under the headings set out in this appendix.

Introduction

We have decided to request information which could be useful in identifying areas which might be technically and commercially suitable for offshore wind projects. We will publish on our website a summary of the information we receive. The summary is unlikely to represent comprehensively all possible developer interest, but could be useful to stakeholders in understanding areas of interest for development, thereby helping focus attention on locations where offshore wind might be technically and commercially feasible.

We anticipate that responses to this request may be quite broad-brush. When identifying areas, or parameters which allow areas to be defined, bear in mind that:

- i. failing to identify areas or combinations of parameters which are of interest for development may result in seabed of the desired type not being included in our published summary (unless another respondent puts forward that combination)
- ii. setting parameters too widely may result in areas of seabed which are only marginally suitable or are in fact unsuitable being included in our published summary
- iii. responses to this information request need not stay within any areas previously identified for offshore wind (for example in the 2014 draft Sectoral Marine Plan, or the Marine Scotland scoping to be published later this year). The strategic plan will ultimately determine where new development may occur, but this request for areas of developer interest will result in an independent dataset which may be helpful in understanding how spatial planning and developer interest relate to each other, as the strategic planning is developed and as stakeholders engage with that process

Summary and publication

Our summary will not identify those organisations which responded and will not indicate the actual number of responses, although we may give an indication of the broad level of response to assist with interpretation of the summary.

We will summarise to indicate the approximate proportion of responses which favoured a particular parameter value or area, which will give an indication of mainstream ranges and those which are more outliers. We will apply our discretion to determine a suitable way of summarising the responses we do receive.

Question 1: Identification of areas of interest

If there are areas of interest for offshore windfarms that you are able to indicate, please provide shapefiles or identify areas on a map.

Question 2: Technical Parameters for identifying areas of interest for offshore wind development

The purpose of the technical parameters tables is to provide sets of parameters which assist in identifying those areas which are potentially suitable, from a technical and commercial perspective, for development of offshore windfarms.

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PARAMETER	COMMENTS
Water depth	Minimum & maximum depths of interest for development. If different bands of water depth would be compatible with different combinations of other parameters then please define separate bands of depth – e.g. Band A (0m to 80m), Band B (80m to 100m) Band C (100m+).
Seabed type	Different seabed types may be appropriate for different bands of water depth.
Mean wind speed (m/s)	Range
Mean wind power density (kW/m²)	Range
Mean annual significant wave height (m)	Range
Distance offshore (km)	Please give indication of various permutations of distance offshore, in combination with other parameters (e.g. wind speed, water depth, minimum viable project scale) to guide identification of areas where viable combinations of parameters exist.
Grid connection considerations	Please identify regions of seabed where grid connection could be feasible, and regions where connection unlikely to be feasible (technically and with acceptable economics).
Minimum project capacity (MW) or number of turbines required for a viable project	Could be different minimum scales for different distances offshore, wind-speeds, water depth bands; please give all relevant permutations.
Minimum area (km²) required for Option Agreement at development stage	Indicative only.
Minimum area (km²) required for project boundary once layout finalised	Indicative only. This parameter may assist stakeholders in determining which locations are likely to be large enough to accommodate enough capacity for projects to be viable.
Indicative turbine parameters	Parameters which may indicate the characteristics of turbines likely to be deployed in future: tip height, rotor diameter, swept area, and any permutations in combination with other parameters such as windspeed, distance from shore, etc.
Any other relevant parameters?	Any information which may assist in the identification of areas of seabed potentially of interest for development.

Appendix 4: Summary of feedback request

We invite general comments on any aspect this Discussion Document. We have also asked specific questions throughout the document which are listed below.

Please note that the deadline for responses is close of business on **31 August 2018**. We will publish a summary of responses received on our website. Responses will not be attributed.

This form is also available to [download here](#).

Respondent information

Are you responding as an individual or an organisation?

Individual

Organisation

Name

Organisation's name

Phone number

Address

Postcode

Email

Please send this form to marine@crownestatescotland.com by close of business **31 August 2018**. If you have any queries about the Discussion Document, or the feedback form, please email hannah.hendron@crownestatescotland.com or call 0131 260 6071 to speak to Hannah Hendron, Policy & Planning Manager.

Specific questions in the Discussion Document

Questions in the main document (pages 1-12)

Section 6 – New offshore wind leasing

Question 1: Do you support our approach of accepting applications at the Draft Sectoral Marine Plan stage or do you favour applications being made only when there is a final adopted Plan?

Question 2: Do you have any comments on the timescales we have indicated?

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Section 7 - Offshore wind in the wider context

Question 3: *What could be done which might result in the level and location of project development interest aligning well with how the grid might be developed?*

Question 4: *Do you (potential applicants) anticipate being willing to include non-binding information of this kind when making an application to Crown Estate Scotland, which could be shared?*

Question 5: *Are there aspects of the provisional design of the leasing process which may be significant barriers to the establishment of cost effective projects and supporting supply chain?*

Question 6: *Please provide us with your ideas on how wider benefits from the development of offshore wind might be realised.*

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Questions in Appendix 1 (pages 13-18)

Question 7: *Should an interval other than 24 months be adopted between cycles of leasing? Is there a more appropriate time gap?*

Question 8: *Do you agree with our proposal to enable applicants to select site boundary and size?*

Question 9: *Is a ceiling on application size required? If required, what area would be realistic to develop over a ten-year Option Agreement term?*

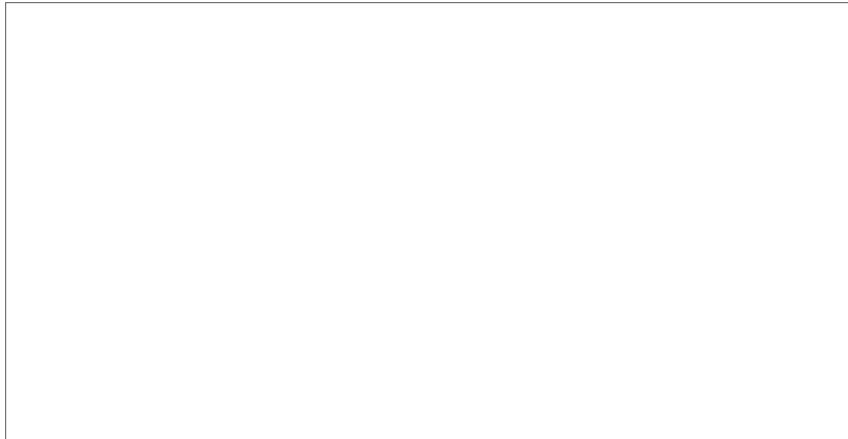
Question 10: *What is your opinion of our proposed approach to Option Agreement fees?*

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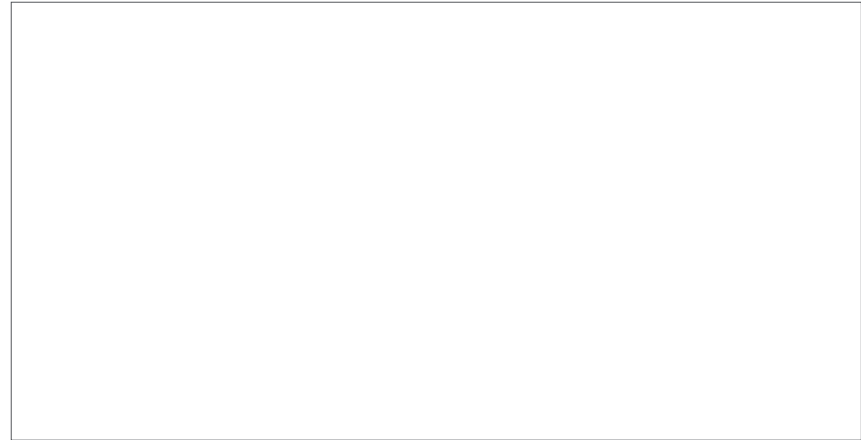
Question 11: Do you agree that single-project Option Agreements are sufficient for areas of 150km² and below?



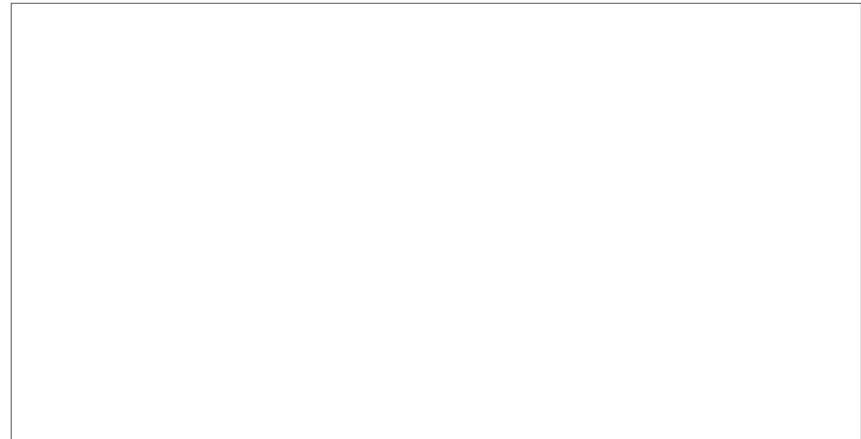
Question 12: What is the best combination of elapsed time and percentage commitment of development budget for Milestone 1?



Question 13: Is it preferable that we define specific actions which the budget must be committed to, or will the milestone provide a suitable incentive by specifying the proportion of expenditure alone?



Question 14: What is the earliest we might set a deadline for consent application that does not risk cancelling Option Agreements held by projects which could otherwise have been successful?



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Question 15: Is a broad-brush approach to Milestone 1 (Commencement) viable for multi-project Option Agreements, or is it unlikely to be possible to select parameters which give worthwhile incentives whilst not posing undesirable risks to some potential developments?

Question 16: Assuming two broad-brush milestones could be worthwhile, what is the best combination of elapsed time and percentage commitment of development budget for Milestones 1.1 and 1.2?

Question 17: Does profiling of rent along these lines provide a suitable incentive to commence operations in a timely manner?

Questions in Appendix 2 (pages 19-25)

Question 18: Do you think the information we are requesting at this stage is appropriate? Is there anything else you would expect to see on the above list to help us reach robust selection decisions? Please explain.

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Question 19: *What aspects of the plan for project delivery are most material in identifying applications which are likely to progress successfully?*

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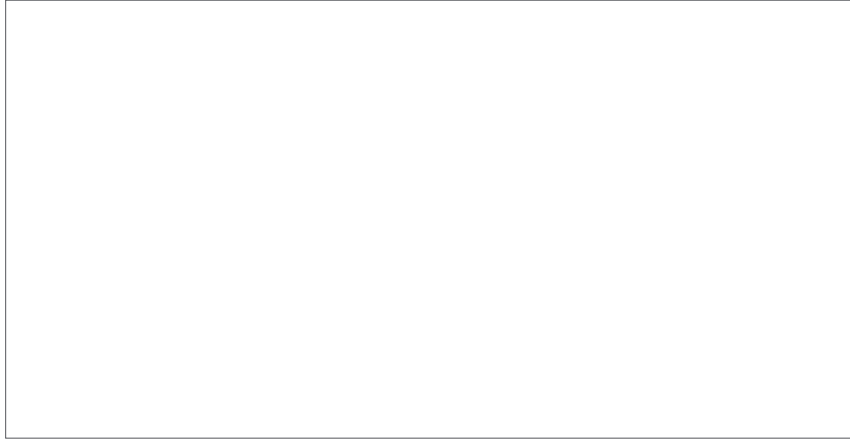
Question 24: *Is limiting the total seabed awarded in a cycle of leasing something we should consider? If we limit, what level should we consider (or what rationale should we consider adopting)?*

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Question 27: *What should be included in the scope of a Refinement stage?*



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