

## **New offshore wind leasing: summary Q&As from Discussion Document events**

In May 2018 we published a Discussion Document setting out our current thinking on new offshore wind leasing in Scottish waters, 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.

We held a number of meetings to introduce the Discussion Document and help those who are considering making a response. These were designed for different groups of people as follows:

Thursday 24 May – developer session, London

Tuesday 29 May – developer session, Edinburgh

Monday 4 June – stakeholder session, Inverness

Wednesday 13 June – briefing of local authorities

Thursday 14 June – consultant and advisor session, Edinburgh

Below we have summarised some of the main comments which we made in response to questions asked during these various sessions. We hope this summary will assist others in preparing responses to the Discussion Document, the deadline for which is 31 August 2018.

### **General context**

<b>Topic</b>	<b>Does Crown Estate Scotland consider there is sufficient market confidence to take up this opportunity?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Yes – our initial discussion with potential applicants indicates that there is interest in new offshore wind leasing in Scotland</li> <li>• We have held several meetings and events to introduce the Discussion Document and there has been a high turnout from both developers and stakeholders</li> <li>• We realise that the offshore wind market is global in nature with a number of development opportunities around the world</li> <li>• The leasing is not aimed exclusively at floating offshore wind technologies, nor at conventional technologies. The leasing will be designed to accommodate technology of any type for which there is interest, both conventional (for which there may be more applicant interest in the short-term) and deeper water technologies including floating (which may be of greater interest in the longer term).</li> </ul>
<b>Topic</b>	<b>Link with UK Government 2020 targets and future CfD allocations</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We took into account the UK Government's Clean Growth Strategy when deciding on the timing for progressing with new offshore leasing in Scotland</li> <li>• The proportion of new UK-wide development which might occur in Scotland is uncertain. The approach taken by us is to provide leasing opportunities which increases the likelihood of further development in Scotland</li> </ul>

<b>Topic</b>	<b>How does Crown Estate Scotland envisage their leasing activities linking in with commitments in Scottish Government's National Performance Framework of ensuring development activities in Scotland (and in Scottish waters) contribute to Scottish economic development?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Economic development may be unlocked if offshore wind projects are constructed in Scottish waters. The leasing in Scotland needs to be attractive on a global level to secure such activity</li> <li>• Within the constraint of being competitive on a global level, we will aim to arrange the leasing so as to allow offshore wind to make a contribution to local and Scottish economic activity</li> <li>• We see operating offshore wind farms as a major long-term contributor to local economies</li> </ul>
<b>Topic</b>	<b>Do the timescales highlighted in the Discussion Document present a risk that Scotland's decarbonisation targets are missed?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We want to structure the Option Agreements in a way that allows developers to get started on construction and eventual operation of their offshore wind farms as soon as possible</li> <li>• The timelines outlined take into consideration the consenting process that will follow an option award – developers need flexibility to deal with any issues associated with this process and a 10-year option period is considered a long enough time frame to deal with those</li> </ul>
<b>Topic</b>	<b>Where have the ideas contained in the Discussion Document been developed?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• The proposed approach to new offshore leasing in Scotland as outlined in the Discussion Document was developed by us, drawing on lessons learned from previous leasing activities and relatively extensive informal discussions with potential applicants and wider stakeholders</li> <li>• The Discussion Document has been published specifically to obtain feedback on these initial thoughts so that the end result – the leasing round – is as effective as possible</li> </ul>
<b>Topic</b>	<b>Why is Crown Estate Scotland consulting as well as Marine Scotland? Is this duplicating response from stakeholders?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• These are two separate processes</li> <li>• As manager of the seabed, we have issued a Discussion Document on the design of the leasing process. Developers will be required to go through this process to receive a lease for the seabed</li> <li>• Marine Scotland as planning authority for Scotland's seas are consulting on the planning aspects of the process. This is in relation to the areas of seabed that are deemed suitable for potential offshore wind developments</li> </ul>
<b>Topic</b>	<b>Possible operating dates for projects arising from new leasing</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• First operating date might be expected to be late 2020's</li> </ul>
<b>Topic</b>	<b>Will Crown Estate Scotland be providing any data to developers, in a similar manner to Dutch / Danish sea-bed bidding models?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• As indicated in the Discussion Document, the existing UK model will hold for this new round of leasing in Scotland</li> </ul>

<b>Topic</b>	<b>Will there be any likely impact as a result of Brexit?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>We do not envisage including any specific features in the leasing design that will be directly impacted by the UK leaving the European Union.</li> </ul>
<b>Topic</b>	<b>Given that the initial Sectoral Marine Plan areas of search are in much deeper water than previous rounds, will offshore wind have increased competition for seabed with other industries (i.e. Oil &amp; Gas)?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>We do not anticipate any change to the current approach to managing leasing-related interactions between offshore wind and other offshore activities</li> <li>We anticipate that the Oil &amp; Gas sector will engage with Marine Scotland's Sectoral Marine Plan process</li> </ul>
<b>Topic</b>	<b>What kinds of projects is the leasing intended to accommodate? There is concern that floating technologies may interact with fisheries activities</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>We are not stipulating any particular technology type but understand that the water depths included in the final Sectoral Marine Plan will be a key driver on viable technology options. If deeper water sites are of interest for developers, then these developers may select floating technologies for them</li> <li>Because of the cost of obtaining consent, developers tend to want to secure a seabed agreement from us before making a consent application. It is therefore unlikely that two alternative project proposals, for example one floating and one for fixed foundations, would be developed to a point of making consent applications to Marine Scotland in advance of securing an agreement from us. As a result, the consenting process is unlikely to be the one which selects between two proposals, but rather will determine whether a particular proposal which has been developed is acceptable. Crown Estate Scotland needs to select between competing applications received, so if there are two competing applications we will assess both according to the criteria which it is appropriate for the manager of the Scottish Crown Estate to apply (as set out in the Discussion Document)</li> </ul>
<b>Topic</b>	<b>How will cumulative impacts be considered in new offshore wind deployment?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>Cumulative impacts have been / will be taken into account in Marine Scotland's planning for the new Sectoral Marine Plan areas</li> <li>There is possibility that the Sectoral Marine Plan may describe limitations or conditions on how the areas can be developed</li> </ul>
<b>Topic</b>	<b>Will the adoption of multiple leasing cycles, as described in the Discussion Document, affect HRA and SEA requirements?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>Multiple cycles of leasing will be catered for by Marine Scotland's planning as all future leasing (first cycle and any future cycles made) will be within the Sectoral Marine Plan areas</li> </ul>

## Approach to leasing

<b>Topic</b>	<b>Multiple cycles of leasing and link to timing of new grid infrastructure</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We do not envisage attempting to match leasing to a specific set of assumptions about the timing and location of new grid infrastructure because of the uncertain nature of project development and infrastructure development</li> <li>• Multiple cycles of leasing are being proposed to move away from the recent pattern of quite long intervals between leasing rounds</li> <li>• We ask in the Discussion Document if this transition is desirable from a developer point of view</li> <li>• We recognise that even with multiple cycles of leasing it is likely that developer interest will be concentrated on the first cycle</li> <li>• We have not yet decided on timescales for multiple leasing cycles, but raise that as a question in the Discussion Document</li> </ul>
<b>Topic</b>	<b>Number of sites to be awarded and total area to be awarded</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We will not have a target number for award as we want to remain flexible</li> <li>• We raise a question in the Discussion Document about whether we should consider limiting the total award, although we indicate a preference for avoiding introducing limits of this kind if possible</li> </ul>
<b>Topic</b>	<b>Has Crown Estate Scotland considered any specifics of how they would implement limiting the size of seabed award into the leasing offer?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Because of the flexibility of the leasing, there will be the possibility that developers might apply for large areas of seabed. Concentration of seabed under development with a single developer is a risk to us.</li> <li>• Limiting application size and / or total area awarded to individual organisations could be a way to reduce this risk</li> <li>• We have not yet defined any upper limits on project size but if limits do feature in the final leasing offer, they will be clearly outlined in the final application pack</li> </ul>
<b>Topic</b>	<b>It is welcome that Crown Estate Scotland will only lease within the Sectoral Marine Plan for offshore wind areas as identified by Marine Scotland. Is there a concern, however, that developers will not find these areas attractive and therefore limit the appetite for development around Scotland?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We are encouraging all stakeholders to participate in the Sectoral Marine Plan scoping report on Areas of Search consultation which Marine Scotland has just released – this includes developers feeding back on the technical/commercial viability of the areas of search</li> <li>• It is hoped that through this consultation process, the final areas included in the adopted Sectoral Marine Plan will be feasible and attractive to developers</li> </ul>

## Selection of applications

<b>Topic</b>	<b>Clearing process</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We will make available a map (and shapefiles) showing the sites that are no longer available because they have been reserved for higher scoring applications. Participants in Clearing can modify an application to include any area included within the Sectoral Marine Plan, provided the modified application does not conflict with any of the areas that are now reserved and are marked as no longer available.</li> <li>• Applicants can choose to modify their application at the Clearing stage to be in any area of the Sectoral Marine Plan (provided it does not conflict with any areas reserved for higher scoring applications) and are not restricted to remaining within the same Sectoral Marine Plan area; reducing the original area, or choosing a different area close to their original application, would also be acceptable.</li> </ul>
<b>Topic</b>	<b>Scoring / evaluating approach and transparency</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• In Summer 2018 we tendered for external advice on the evaluation (the tender document is visible on the Public Contracts Scotland website and gives some detail on our current thinking as to how the evaluation process might work – this is broadly similar to previous leasing rounds)</li> <li>• The evaluation criteria will be explained to potential applicants in the application documentation so that applicants understand the basis on which their applications will be assessed</li> </ul>
<b>Topic</b>	<b>How does Crown Estate Scotland intend to manage competition fairly in this process? Is there a risk that a single developer will secure rights to a large part of the seabed on offer?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Allowing applicants to select their own boundaries does make it possible for large application areas to be selected</li> <li>• We ask in the Discussion Document whether there should be an upper limit on the area of an application</li> <li>• If there was competing interest in an area, any developer seeking a large part of the seabed would need to be scored the highest to secure it – it is therefore unlikely that an applicant which “over-stretches” itself by seeking more seabed than it is resourced to develop would be successful in competition with more prudent applicants</li> </ul>
<b>Topic</b>	<b>What prevents applicants from mitigating the risk of ‘losing’ and having to enter Clearing by bidding for an entire Sectoral Marine Plan area? (i.e. bidding in a strategic manner for a bigger area than required and then using the Refinement stage to scale back to a commercially viable size)</b>

<b>Comments</b>	<ul style="list-style-type: none"> <li>• The flexibility which we are currently considering, which enables applicants to select their own boundaries, does allow selection of large areas at the application stage – and if the intended project is relatively small, such an approach would give a large degree of flexibility in siting the eventual project within the Option Agreement area (and may minimise the likelihood of any neighbouring projects). The consequences of such an approach are that the charge for an Option Agreement is pro-rata the area it encompasses, and larger application areas are more likely to encounter competing applicant interest</li> <li>• In order that the application process as a whole is fair, the Refinement stage – which occurs after all the competition and selection has been completed – should not permit changes to projects which have the effect of materially changing any aspect of an application which was part of the basis of selecting between applicants</li> </ul>
<b>Topic</b>	<b>Will there be a pre-qualification phase for applicants?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• No - we anticipate that since the selection criteria will be explained in the leasing documentation, potential applicants will be able to assess whether they will comply with minimum requirements prior to embarking on an application</li> </ul>
<b>Topic</b>	<b>How will it be managed if a developer applies for seabed that is included in the draft Sectoral Marine Plan that does not feature in the final adopted plan?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Marine Scotland are running the Sectoral Marine Plan process and we are encouraging stakeholders to engage with them throughout all parts of this process</li> <li>• Developers are encouraged to identify areas of interest within the draft plan and respond to Marine Scotland’s consultation to provide views and evidence in support of any areas which are suitable for development, and inclusion in the final adopted plan</li> <li>• If an otherwise successful application is for an area of seabed which has not been included in the final plan the proposed Clearing process will provide a means of modifying the application. The potential need for such applications to enter the Clearing process only arises because we propose accepting applications when the draft Sectoral Marine Plan becomes available rather than waiting until the final adopted plan. Accepting applications at the earlier stage introduces some uncertainty, but allows the leasing process to begin earlier which is why we have proposed this approach.</li> </ul>
<b>Topic</b>	<b>Could Crown Estate Scotland build into their evaluation any sort of carbon accounting criteria to make sure applicants are required to maximise potential carbon saving of their future developments?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• This is not something that we have considered yet</li> <li>• It would be quite difficult to determine a suitable metric which could be used to fairly assess the applications on their potential decarbonisation impacts</li> <li>• Capacity won’t be confirmed by the applicant during the initial leasing stage</li> </ul>

<b>Topic</b>	<b>Would Crown Estate Scotland stretch their assessment to consider how a project would affect other offshore elements (water column, above sea level) and the impacts on users of these other elements?</b>
<b>Comments</b>	<ul style="list-style-type: none"><li>• We manage leasing of the seabed around Scotland – the remit therefore extends to agreeing commercial agreements for leasing seabed and ensuring best consideration is gained from these agreements</li><li>• Marine Scotland are the planning and licencing body and therefore their remit encompasses these more consenting related topics (how a planned infrastructure development would affect other users of the sea)</li></ul>

## Separation between applications, extensions

<b>Topic</b>	<b>The Discussion Document talks about separation distance between applications; has Crown Estate Scotland thought about this in relation to new and existing offshore wind sites? If there is to be a minimum separation between new applications and existing offshore wind sites, has Crown Estate Scotland considered whether there would be circumstances where such minimum separation could be reduced or waived?</b>
<b>Comments</b>	<ul style="list-style-type: none"><li>• The Discussion Document describes an approach where applicants can select boundaries and indicates that we are considering a minimum separation between applications. We think that a minimum separation may in general be a desirable feature of the leasing – applicants embarking on the process will have confidence that - should they be successful - then no other application will result in a project site nearer to them than the minimum separation.</li><li>• We did not include in the Discussion Document any comments about minimum separation between new applications and existing sites. It may in general be desirable for new applications to be at least a certain distance from existing sites and it may therefore give helpful certainty to all players (existing sites and new applicants) if we also define in the leasing design a rule requiring a minimum separation between new applications and existing sites.</li><li>• We have been considering, but did not include in the Discussion Document, the situation where an applicant to the new leasing may wish to apply for a site which is quite near to an existing site – either an operating project, or a project under development. A new application in that situation might effectively amount to an extension to that existing site – not by re-opening the seabed agreement for the existing site to include new seabed, but de-facto extension by creating a new Option Agreement for seabed adjacent to the existing site. In the same way as allowing applications for relatively large-scale sites may increase the attractiveness of the leasing offering, allowing de-facto extensions to existing sites may also do so.</li><li>• To balance these various points, our current thinking is (i) it is highly likely that we will introduce a minimum separation between each application and any other application, and between each application and any existing site, which would apply unless there was mutual agreement to vary it (ii) it is also highly likely that we will introduce features to the arrangements which would allow an applicant to have less than that default level of minimum separation if the two relevant parties agree that they are content to have less separation between sites. That would result in two applicants to the leasing process having the option of agreeing to proceed with two sites in closer proximity than the default minimum separation if both parties agreed. It would also result in existing sites (not participating in the new leasing) having the option to agree with any new applicant which approaches them that the new application may come closer than the default minimum separation, but also the ability to withhold agreement and in that case have confidence that no new application would be nearer than the default minimum separation.</li></ul>

## Test and demonstration

<b>Topic</b>	<b>If a developer is seeking a smaller scale Test &amp; Demonstration site, can they still apply within this leasing round, and can they apply out with the Marine Scotland draft plan areas?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• From 1 September 2018 the new leasing will be the only route for applications.</li> <li>• This is to avoid having two leasing processes potentially giving access to the same areas of seabed</li> <li>• The new leasing design is flexible and will not stipulate a specific size, so applications for Test &amp; Demonstration projects may be made to it.</li> <li>• It may be appropriate in future for us to also begin accepting applications for Test &amp; Demonstration projects in other areas of seabed in a separate process – the earliest that could occur is once the draft Sectoral Marine Plan has been published.</li> </ul>

## Seabed Agreements

<b>Topic</b>	<b>Multi-project Option Agreements</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Multi-project option agreements would allow more than one option call, resulting in a separate lease, from the same option agreement, but all option calls would have to be within the ten-year option period.</li> <li>• We are aiming for flexibility rather than imposing a rigid framework for multi-phase projects, for example minimum and maximum sizes for individual leases obtained under such agreements; there will however need to be some structure to balance this increased flexibility; the details of that structure have not yet been worked out</li> <li>• Milestones for multi-project Option Agreements will reflect a sensible timeline for the entire area covered by the agreement. In the Discussion Document, we sketch a possible approach where there may be up to three separate phases of project development, covered by two sets of milestones: the first set which catered for around 1/3 of the total area being developed and the second set of milestones which catered for the balance of the area.</li> </ul>
<b>Topic</b>	<b>Charges for an Option Agreement</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We have not yet decided on levels to be charged</li> </ul>
<b>Topic</b>	<b>Incentives for development, catering for delays to development</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We intend that the milestones and any other incentives developed will provide an appropriate strength of incentive in the circumstances likely to arise in practice without requiring too much tailoring to specific situations</li> <li>• The timescale for development, of 5 to 10 years, means the future path will be uncertain at the point of entering leasing agreements. Therefore the arrangements will need to be flexible enough to allow developers to continue to progress as circumstances evolve</li> </ul>
<b>Topic</b>	<b>Might the proposed technology type of a project application have any bearing on associated rental costs of a lease?</b>

<b>Comments</b>	<ul style="list-style-type: none"> <li>• We have not considered this in detail since the leasing design aims to enable deployment of any suitable technology without being specific; support for emerging technologies may be most appropriately achieved by other means than leasing</li> <li>• The proposed Applicant Valuation mechanism described in the Discussion Document allows applicants to 'flex' their option fee above/below the base level fee; applicants could take account of their intended technology type when setting the level of their Applicant Valuation</li> </ul>
<b>Topic</b>	<b>Will the final terms of the leasing arrangements be released prior to 31<sup>st</sup> August?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• No; we will take account of responses to the Discussion Document in developing the leasing and intend that full details of the leasing opportunity will be finalised and published (i.e. the launch of the leasing process) around two months prior to the draft Sectoral Marine Plan becoming available</li> </ul>
<b>Topic</b>	<b>If there was to be a limit on the capacity or area that an individual organisation could be awarded in a cycle of leasing, would the Option Agreement include provisions which would prevent that limit from being exceeded at a later date by acquisition of additional Option Agreements?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We have not made a final decision on that point but it is currently under consideration</li> <li>• It may not be appropriate or necessary to have the complexity of provisions in Option Agreements which continued to apply limits in the event of possible subsequent transactions, since other measures such as milestones and option periods will also incentivise active development of a portfolio of agreements</li> </ul>
<b>Topic</b>	<b>Have there been any thoughts on changing the Crown Estate Scotland approach to decommissioning?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We are not planning to change the approach to decommissioning</li> </ul>

## Other infrastructure

<b>Topic</b>	<b>Grid delivery and whether Crown Estate Scotland are liaising with grid companies</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• Meetings have been held with National Grid, and the transmission businesses of Scottish and Southern and ScottishPower, so these organisations are aware of our proposed new leasing</li> <li>• We are aware that grid considerations and developer interest will influence each other and think that by explaining our proposed approach to leasing that may assist with others’ decisions</li> <li>• We have not established any budget to commit to grid-related studies at this stage because it is not clear what might be done by us that would be useful</li> <li>• We ask in the Discussion Document 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. We are open to taking steps to support this, although we are keen to ensure any activity we do undertake is likely to be useful. One example of the kind of initiative which could be possible might be a “club-funded” approach to work on grid – although we recognise that line of sight to valuable outputs would be required before developers would be likely to commit funding to that kind of approach</li> </ul>
<b>Topic</b>	<b>Supply chain and economic development aspects</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• We appreciate that new offshore wind leasing would enable Scotland to pursue its decarbonisation targets but that it also has potential unlock economic benefits at a local/national scale</li> </ul>
<b>Topic</b>	<b>Has there been much consideration given to the eventual onshore elements that will be required as a result of this offshore leasing?</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>• There has been some consideration of the current state and future shape of the onshore electricity grid</li> <li>• Planning for onshore infrastructure will be dealt with at project level with the relevant authorities/regulators</li> </ul>