

Briefing: ScotWind Leasing for offshore wind

ScotWind Leasing – the process of making seabed available for commercial-scale offshore wind projects – will benefit Scottish businesses and communities for decades to come as well as providing a major boost to UK clean energy production. This briefing covers key elements of the process. **Please note that ScotWind involves granting options for developing opportunities then leasing seabed, not selling it.**

Key points

- As of April 2022, there are 17 ScotWind projects with seabed option agreements.¹ These agreements are for up to ten years. Crown Estate Scotland will offer a full seabed lease (enabling projects to be built and operated) once developers have secured the necessary consents, licences, and finance.
- ScotWind is 'plan-led'. This means that all sites are within the areas of seabed identified in the Scottish Government's Sectoral Marine Plan for Offshore Wind.
- Supply chain commitments were required from the outset. This approach – the first of its kind – will ensure a focus from the earliest stage on supply chain capacity to develop and deliver the projects.
- Initial supply chain plans indicate an average commitment to the Scottish supply chain of £1.5bn per project (totals just over £25bn across the 17 projects).
- Offshore wind projects typically take several years to plan, develop, and build. ScotWind projects are expected to be built from late 2020s onwards.
- 10 of the 17 projects are for floating rather than fixed turbines. Scotland is already a world leader in floating wind test and demonstration. Commercial-scale projects will place Scotland at the forefront of this global technology.

Market value and Best Value

- Crown Estate Scotland is required under legislation to obtain market value in its transactions. As a public body we are also required to secure Best Value.
- Market value was robustly tested. This included a review in 2021 to reflect recent changes in the offshore wind market resulting in a ten-fold increase in the option fee cap.
- Developing in Scottish waters is likely to have higher construction and operation costs than the rest of the UK. Challenging sea conditions combined with higher grid costs and the use of floating structures all add to overall cost. Different ownership models, support mechanisms, and consenting processes also make comparisons to other countries misleading.
- The process was designed to make sure that the best projects and strongest applicants progressed, rather than being focussed solely on ability to bid for the highest option fee. Without ScotWind enabling a pipeline of projects, the revenue and significant supply chain investment would not be possible.

¹ This figure may increase after Clearing, a stage in the process which enables applicants to apply for sites where there is space for projects – see <https://www.crownestatescotland.com/news/scotwind-clearing-process-procedural-update>

- As well as securing an initial £700m for public spending, ScotWind will lead to billions of pounds of investment in the Scottish economy (initial indications are an average of £1.5b per project)² and generate multi-million pound payments once projects are operating (over the next 10 years, we currently anticipate an approximate average of £4m per GW pa from offshore wind projects).³
- As with all revenue profit generated by Crown Estate Scotland, this will be passed to the Scottish Government for public spending.

Scottish supply chain

- ScotWind is an opportunity to build on Scotland's legacy of offshore engineering for a clean energy future.
- All ScotWind applicants were required to submit a Supply Chain Development Statement (SCDS) Outlook outlining the nature and location of supply chain activity across the four different stages of their project.⁴ These Outlooks have been published to share this information with all interested parties. Applicants also submitted further detail that has been shared with government agencies.
- These initial SCDSs provide early indications and cover the full life cycle of projects, from development, manufacturing & construction, through to operations & maintenance. Analysis indicates an average of £1.5b investment in Scotland per project.
- Outlooks will be updated throughout development as project specifics such as timing and technology become clearer and as the development of the supply chain progresses. Final SCDSs are submitted just before developers secure a full seabed lease (anticipated late 2020s onwards). Where actual supply chain achievements are not in line with the final SCDS commitments, there are contractual remedies ranging from financial penalties to revoking the ability to secure a lease.

Assessing applications

- Applications were assessed in line with published criteria. This includes project information such as concept, budget and delivery, and developer information such as capability, experience, and financial resources. The projects offered option agreements are those that best demonstrated their ability to deliver.
- Applicants had to submit formal, written assurances that they have not been convicted of unlawful activity in relation to corruption, bribery, human trafficking, and a number of other activities, within the last five years. Only those companies that provided such assurances were allowed to proceed in ScotWind. We reserve the right to void any application or agreement if false information is found to have been provided, and we will not hesitate to take the appropriate action if needed.

² <https://www.crownestatescotland.com/news/scotwind-developers-set-out-multi-billion-pound-supply-chain-commitments>

³ This is based on internal modelling, taking into account lease terms and conditions, and is subject to a number of external factors (e.g. weather, market conditions, grid constraints, technology). We will revise this figure as ScotWind projects progress and there is more clarity on aspects such as technology and final design.

⁴ Although an SCDS was mandatory, the information contained in it did not form part of any scoring relating to the selection of winning applications to avoid risk of breaching competition law.

For more please see <https://www.crownestatescotland.com/our-projects/scotwind>
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