

INTOG LEASING

Summary document

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1. INTRODUCTION AND CONTEXT

1.1. Purpose of this document

The purpose of this document is to provide information on the approach to a new leasing round for Innovation and Targeted Oil and Gas (INTOG) projects. It outlines the proposed timescales, process, and information requirements. We are keen to ensure that stakeholders understand our proposed leasing approach.

This does not represent the final leasing document. If you are a potential Applicant, please register your details [here](#) for further information on the terms and conditions. Note there is a deadline of 21st March for feedback from potential applicants on the proposed leasing terms and conditions.

1.2. Offshore wind in Scotland

Utilising our seas to power Scotland will play a vital role in meeting Scotland's ambitious net zero targets, as well as supporting a just transition. Offshore wind has already attracted substantial investment, created jobs, and developed secure and affordable supplies of low carbon electricity.

Recent years have seen an increase in the number of commercial offshore wind farms being deployed in Scottish waters. This growth is expected to continue with upcoming Contracts for Difference Allocation Rounds providing a possible route to market for Scottish projects which have already been granted rights by Crown Estate Scotland.

In addition Crown Estate Scotland recently announced the outcome of the ScotWind Leasing round, which provides significant opportunity for further commercial-scale offshore wind projects around Scotland.

1.3. Innovation and decarbonisation

Seabed rights for offshore wind innovation and test and demonstration projects have previously been leased on an ad hoc basis. This process was paused to allow the spatial planning work for ScotWind Leasing to be progressed. Innovation projects are important in reducing costs, reducing risk, and developing Scotland as a destination for innovation and technical development. These smaller projects can stimulate the local supply

chain to help enable it to support future commercial scale projects in Scotland and overseas.

Oil and gas installations require power for production and to run essential operating systems. This power is typically generated using diesel and gas generators; however, offshore wind projects could provide electrification solutions in order to reduce emissions. The North Sea Transition Deal¹ commits offshore oil and gas producers to a 50% reduction in carbon emissions during the production process by 2030²; many producers have also made their own decarbonisation commitments. Decarbonising production will help to facilitate a smooth energy transition and be a key component of a just transition, managing and mitigating impacts on jobs and communities.

Crown Estate Scotland has undertaken engagement with a range of stakeholders including the Oil and Gas Authority (OGA) to understand the technical, regulatory, and commercial challenges associated with oil and gas decarbonisation targets. This engagement identified a significant opportunity for offshore wind projects to provide power to oil and gas installations.

1.4. Key policy drivers

INTOG leasing will provide an opportunity to contribute towards achievement of Scottish and UK energy and net zero policy objectives, including the emissions reduction targets set out by the North Sea Transition Deal. Further background is provided in Section 1 of Marine Scotland's Initial Plan Framework³.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972520/north-sea-transition-deal_A_FINAL.pdf

² Relative to a 2018 baseline

³ Scottish Government, 2022, Initial Plan Framework, Sectoral Marine Plan for Offshore Wind for Innovation and Targeted Oil and Gas Decarbonisation (INTOG)

2. OBJECTIVES OF INTOG LEASING

The INTOG leasing round is a process by which developers will be able to apply for seabed rights for small scale (less than 100MW) innovation projects. It will also provide the opportunity for seabed rights for offshore wind projects to provide low carbon electricity to power oil and gas installations and to help decarbonise the sector.

Due to the differences in scope and scale, the Innovation element will be run separately from the Targeted Oil and Gas element.

The objectives of the Innovation element of INTOG leasing are:

- To enable projects which support cost reduction in support of commercial deployment of offshore wind; including alternative outputs such as hydrogen, and
- To further develop Scotland as a destination for innovation and technical development which will lead to risk reductions and supply chain opportunity.

The objectives of the Targeted Oil and Gas element of INTOG leasing are:

- To maximise the role for offshore wind to reduce emissions from oil and gas production, and
- To achieve target installed capacity in a way that delivers best value for Scotland and supply chain opportunity in alignment with just transition principles.

3. INTOG SECTORAL MARINE PLAN

Crown Estate Scotland's 2020-23 Corporate Plan commits us to a plan-led approach, where our leasing is aligned with Scottish Government's marine spatial plans. The adopted Sectoral Marine Plan (SMP) for Offshore Wind, published by Marine Scotland in October 2020, provided the spatial framework for commercial scale offshore wind farms delivered by the ScotWind Leasing round.

Within the adopted SMP, there was provision for consideration of a future leasing round to enable small innovative projects and larger projects aimed at the decarbonisation of the oil and gas sector. The adopted SMP noted the need for a strategic planning exercise to assess the suitability of potential locations and to ensure compatibility with other projects and marine users in Scotland.

In an increasingly busy marine environment, spatial planning is important to help minimise cumulative impacts and manage different stakeholder interests. In August 2021 the Scottish Government confirmed it would be undertaking a new spatial planning exercise for Innovation and Targeted Oil and Gas projects. Consultation was undertaken on the key parameters and Areas of Search that underpin the planning and leasing exercises. The consultation period closed in October 2021 and the final parameters, areas of search and exclusions, are set out in Marine Scotland's Initial Plan Framework.

Crown Estate Scotland's INTOG leasing has been developed to align with Marine Scotland's Initial Plan Framework. Applications must be sited within the areas and other planning parameters defined by the Initial Plan Framework to ensure that environmental and stakeholder considerations shape the leasing activity.

The outcome of the planning process will be a new SMP for offshore wind for INTOG. Scottish Government does not expect to publish the final plan until the Autumn of 2023; potential INTOG projects will therefore be able to apply to Crown Estate Scotland for Exclusivity Agreements at an early stage. The draft plan will be based on the projects that are awarded Exclusivity Agreements. Only projects included within the final plan will be awarded Option Agreements.

4. STRUCTURE OF INTOG LEASING

As highlighted above, the approach to INTOG leasing is closely aligned with Marine Scotland’s planning process. The three key leasing stages are as follows:

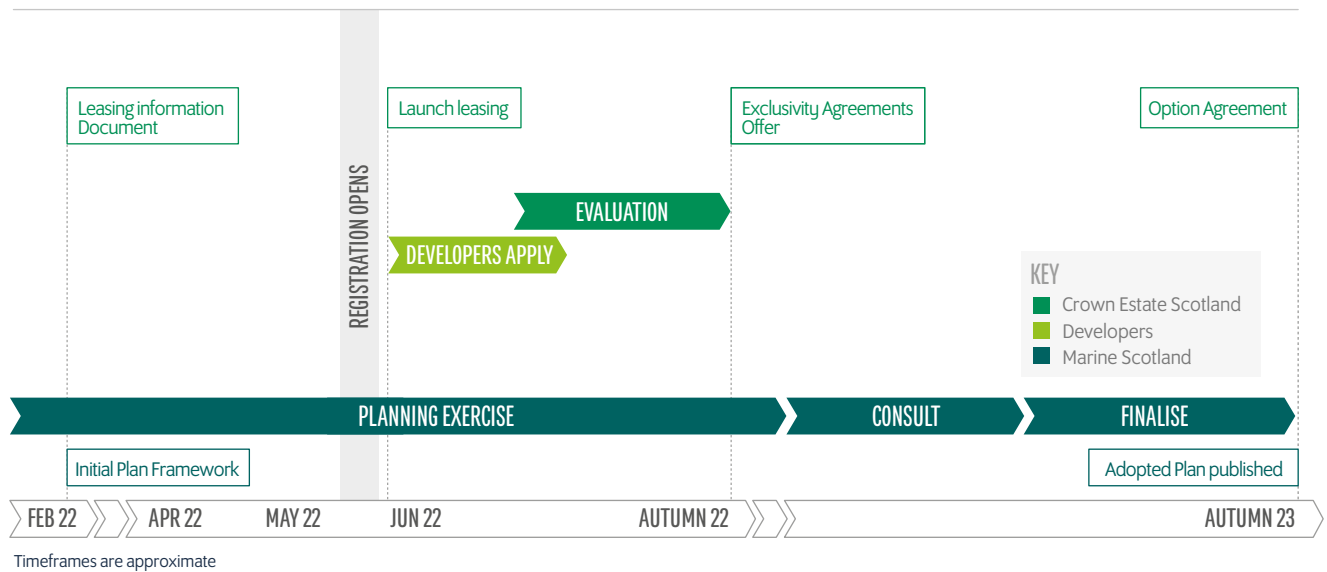
Exclusivity: Potential developers will be invited to apply for Exclusivity, which is a preliminary agreement between Crown Estate Scotland and the Applicant to later enter into an Option Agreement, subject to marine planning considerations and any other relevant factors.

Option Agreements: Projects identified in the final INTOG SMP can be granted an Option Agreement which will set out the terms on which Crown Estate Scotland would grant a lease if the developer succeeds in obtaining all the necessary consents.

Lease: Projects that obtain all necessary consents and serve a valid Option Notice within the Option Period will be granted a lease and construction can commence.

The main components and timings are set out in Figure 1 below.

Figure 1 Leasing components and Marine Scotland activities



5. OVERVIEW OF THE AWARD PROCESS

Awards will be made on an open market basis and will be split in to two pots – one for innovation projects, and one for Targeted Oil and Gas projects.

Applications will be judged on a mixture of price and quality. The proposed scoring criteria and weighting is as follows:

- Innovation projects: Price (30%), Innovation (40%), Deliverability (30%).
- Targeted Oil and Gas Projects: Price (70%), Deliverability (30%).

The Application window is anticipated to open in June

2022. Applicants can only apply for projects within the areas of seabed defined by the Scottish Government's Initial Plan Framework, the consultation for which closed at the end of October 2021.

Applicants will also be required to submit a Supply Chain Development Statement, outlining the nature and location of any supply chain activity linked to their proposed project for both Innovation and Targeted Oil and Gas projects.

6. NOTE FOR POTENTIAL APPLICANTS

If you are a potential Applicant, **please register your details [here](#)** for further information on the terms and conditions. Note there is a **deadline of 21st March 2022** for feedback from potential applicants on the proposed leasing terms and conditions.



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