

SPECULATION ABOUT BIDDING FOR THE CROWN ESTATE LEASE AUCTIONS

On 4 February an article appeared in Renewable Energy News with headline: 'Fury over 'bonkers' Round 4 lease bids' (article below). It speculates that oil majors have made huge bids to The Crown Estate auction for offshore wind options – orders of magnitude higher than what is considered viable.

This could raise questions on why in Scotland the ScotWind process has set option fees rather than allowing an open auction.

Top line

Not in in a position to comment on speculations about the bidding process south of the border.

In Scotland, the application window for ScotWind Leasing is currently live. Our leasing has been designed to attract major green investment to Scotland which will deliver long term economic and net zero benefits through a competitive and sustainable pipeline of projects. We are on track to help deliver that.

What approach is Scotland taking to option fees?

ScotWind has set option values, with an upper tier of £10,000 per km². This is to encourage viable bids that are likely to be competitive and result in successful developments that deliver net zero obligations and associated long term economic benefits.

Surely this is a huge missed opportunity for Scotland to raise billions?

I cannot comment on current speculation about the Crown Estate Round 4 bidding process. However, this could be a huge opportunity for Scotland if it makes Scottish sites relatively more attractive despite the higher grid costs and need to adopt and commercialise floating wind technology. Our primary goal has to be to secure these long-term investments for Scotland, along with the jobs and supply chain opportunities that come with it.

If pressed: I cannot comment on the situation south of the border, but in Scotland, ScotWind option fees are classed as capital income that become part of the Crown Estate. The long-term revenue that comes from rents from schemes that are built will come into the Scottish Consolidated Fund.

Isn't this just another example, on top of BiFab, of the Government's failure to land the benefits of the green energy revolution?

Our focus is on the sustainability of the sector in the long-term - securing the billions of inward investment that will position Scotland as a global leader in offshore wind, harnessing offshore wind to help meet our net zero targets as well as securing the jobs and supply chain benefits.

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Fury over 'bonkers' Round 4 lease bids

By Stephen Dunne

Established UK offshore wind developers have reacted with dismay to the first option fee auctions in the Crown Estate's Round 4 leasing exercise after "ridiculous" high bids secured two prime awards.

There is widespread unhappiness following the outcome of initial bid cycles, industry sources said, with some critical of the level of money that will now swell Treasury coffers rather than provide development capital to fight climate change.

The first two daily option fee auctions, which started last Thursday, are understood to have been won by similar bids of around £150,000 per megawatt per annum for separate 1.5GW developments in the Irish Sea, prices described as "bonkers".

The option fee bids were far higher than many experts predicted and some developers were willing to pay. Bids in the range £10,000 to £30,000/MW/annum had been expected, experts said.

Theoretically, the winning bids value each 1.5GW site

option at more than £200m per year, which could cost the successful developer around £2bn if it takes 10 years to bring a project to the point of construction.

The identity of the winner or winners is unknown. Market speculation is that the bidder is the same developer, possibly from the oil industry.

Sources said the "extraordinary" bids have distorted the market and will push up prices in the remaining rounds, although if the same developer is behind the first two bids it is now ineligible to contest further projects as there is a 3GW cap for each entrant.

A third bidding cycle this week resulted in a winning bid of around half the £150,000 figure for a 1.5GW project, it is understood.

"This was always a risk of the option fee (with) constrained supply and massive demand," one industry insider told *renew*. "Questions have to be asked about the handling of this process."

The Crown Estate declined to comment citing commercial confidentiality.