

Roseanna Cunningham MSP & Ben Macpherson MSP
Cabinet Secretary for Environment, Climate Change and Land Reform, & Minister
for Rural Affairs and the Natural Environment
The Scottish Government
St Andrew's House, Regent Road
Edinburgh
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17 February 2021

Dear Roseanna and Ben,

ScotWind Leasing

I am writing to you regarding the ScotWind Leasing process and to share the views of Scotland's offshore wind industry to the delay announced on Thursday 11 February.

Scotland's offshore wind industry was pleased with The Scottish Government's publication of the long-awaited Sectoral Marine Plan in October, which was an important milestone for setting out in detail the timings for the ScotWind Leasing process by Crown Estate Scotland. The accompanying Offshore Wind Policy Statement was also welcomed as a clear signal of The Scottish Government's increasing ambition for deployment in Scottish waters.

We understand that the Ministerial decision to pause the ScotWind Leasing process for a review has been made in direct response to the outcome of the Round 4 auction for England and Wales. As this process focuses on delivering commercial returns to the UK Treasury, it resulted in higher prices for offshore wind than had been anticipated.

While we appreciate the changing market dynamics within offshore leasing which led to these results, the ScotWind process is already 14 months behind its expected schedule. This further pause comes at significant cost to Scotland's offshore wind industry, which has already invested thousands of hours and millions of pounds over many years putting together bids which represent billions of pounds worth of investment. This increases uncertainty for offshore wind developers and supply chain companies and prevents them from playing their full role in supporting The Scottish Government's ambitions for a green recovery and contributing towards our net-zero target. The continuing delays are also damaging to Scotland's reputation as a place where investors and multi-national renewable companies can do business easily and predictably.

Without a reliable and timely ScotWind process, Scotland's offshore wind developers will be pushed towards competing against English and Welsh projects

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in subsequent Contracts for Difference (CfD) auctions. Whilst we have many strengths as a sector, the Scottish offshore wind industry is already subject to structural disadvantages compared to projects in English and Welsh waters. These include higher grid transmission charges and more challenging sea conditions in Scottish waters. The ScotWind Leasing process recognises the structural disadvantages faced by the Scottish offshore sector with a bid structure focused on scoring overall project quality which will enable the highest number of projects with the greatest chance of success to be developed here in Scotland. The CfD, in contrast, is narrowly focused on delivering the lowest cost bids and does not take into account either the location of the best wind resource or the need for a geographical distribution of generation to balance out variations in wind resource. The higher costs of developing offshore wind projects in Scottish waters therefore places Scottish companies at a direct disadvantage against cheaper English and Welsh projects. Scotland now has a unique opportunity to retain a competitive position, which balances income from leasing with the potential for major projects and the supply chain and jobs benefits that flow from these.

Ensuring Scotland has a clear and timely pipeline of offshore wind projects is essential for the supply chain companies which support industry. New projects provide the certainty that these businesses require to invest and recruit staff, which is key to supporting The Scottish Government's green jobs agenda. Recognising the challenges in recent years surrounding Scotland's offshore renewable supply chain, it is important that we continue to move forward with ScotWind and support these businesses.

If we are to realise the environmental and economic benefits of offshore wind it is important that this review, which has been deemed necessary by The Scottish Government, is a short, focused process which concludes well before the pre-election purdah period takes place. Doing so will ensure that the ScotWind Leasing remains on track towards the deadlines on which our industry has based its business models and investment strategies.

Recognising the importance of this delay to the offshore wind industry, I would welcome the opportunity to meet with you to discuss how we can work together to develop a solution.

Yours sincerely

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