

Ms Amanda Bryan
Chair
Crown Estate Scotland
2nd Floor
Quatermile Two
2 Lister Square
Edinburgh EH3 9GL

Contact Person

Email

[\[REDACTED\]@baywa-re.co.uk](mailto:[REDACTED]@baywa-re.co.uk)

Phone

+44 [REDACTED]

Date

26/02/2021

Dear Amanda

I am writing in response to the recent Scottish Government and Crown Estate Scotland decision to review the option structure for the ScotWind leasing round as a member of the steering company of the Floating Energy Alliance.

The Floating Energy Alliance is a new partnership focused on the development of floating offshore wind in Scottish waters which comprises my own company, the leading global renewable energy business BayWa r.e., renewable energy company Elicio, and French floating wind technology developer Ideol.

The group has been working to progress a joint bid for at least one commercial scale floating wind project in the ScotWind leasing round since summer 2019, and one of the cornerstones of our proposals is the creation of a new facility to manufacture our concrete foundations in Scotland, which makes a significant contribution to the projected 23,000 annual FTE roles that would be delivered in Scotland by one of our projects over its lifetime. I have enclosed a summary of the economic analysis conducted by Biggar Economics on our proposals to share a sense of the scale of the impact these could have.

I am concerned that the review could result in a radical change to the leasing round outcome and wanted to take some time to set out how we believe ScotWind can meet its original objective of stimulating both offshore wind development and supply chain growth – and place Scotland at the very forefront of the global growth in floating offshore wind.



While we are aware of the values of the successful Round 4 bids, there are many differences between the sites available in Round 4 and the areas available through ScotWind which we believe should be borne in mind when making comparisons:

- A number of the areas of the Adopted Sectoral Marine Plan are only suitable for floating projects, a technology with huge promise but yet to be deployed at commercial scale, and with very different cost base from fixed-bottom offshore;
- Offshore wind projects in Scottish waters have significantly higher transmission charges than projects in southern parts of England;
- Grid constraints mean that most sites available in ScotWind will not be able to connect until the late 2020's or early 2030's which adds cost to their development;
- A number of the areas are extremely remote which adds complexity to their development and also costs due to the greater distances to be covered to connect to the transmission network.

Secondly, we would be concerned if there were a move to an auction-based system as we do not believe that selection of bids on price alone once basic entry criteria have been met is consistent with ScotWind's aims of supporting 'supply chain development and sector innovation, creating jobs and stimulating economic growth'.

We would argue that ministers and Crown Estate Scotland can maximise the short-term economic value and contribution to Scotland's finances while still ensuring that ScotWind meets its original aims through maintaining the existing option structure but with increases in applicant valuation bands which:

- Differentiate between areas suitable for floating wind and fixed offshore wind, and the very different economics of each;
- Reflect the many different drivers which add to the overall cost of developing the seabed areas available through ScotWind;
- Balance the potential trade-offs between maximising short-term income and longer-term economic impacts from both developer and supply chain presence in Scotland;
- Recognise the potential for a 'winners' curse' if the process encourages speculative bids which then lead to successful bidders being unable to develop their sites due to the costs of their bid;
- Avoid the process rewarding balance sheets rather than capability, experience and innovative approaches, and the concentration of development rights in hands of small number of companies;
- Reflect that any increase in option fees will ultimately be borne by GB consumers.

We would also strongly support a reduction in the number of sites that any one developer can secure from five to two in order to ensure that no one company has an overly powerful impact on the future development of the sector.

Finally, we would request that the extension to the deadline for ScotWind submissions reflects the degree of change inherent in the outcome of the review, with only a short delay required if the outcome is the introduction of additional applicant valuation bands.

We believe these points are key to ensuring that the review outcome reflects the value of successful bids but also puts Scotland at the very forefront of the global floating wind sector and ensures that options are awarded to the proposals which offer the greatest positive impacts in terms of supply chain growth, innovation, energy production, environmental management, and community engagement - just as Crown Estate Scotland and the Scottish Government intended when this process was launched in May 2018.

We appreciate the complexity of the decisions to be made and also the benefits of a decision before 24 March but would, of course, be happy to discuss any of the points above during the review period if that would be helpful to the Scottish Government's and Crown Estate Scotland's deliberations.

Yours sincerely

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, BayWa r.e. UK Limited
On Behalf of Floating Energy Alliance

Enc Floating Energy Alliance – Potential Scottish Economic and Employment Impacts

Floating Energy Alliance – Potential Scottish Economic and Employment Impacts

Introduction

As part of the development of the Floating Energy Alliance's Supply Chain Development Statement, Biggar Economics was commissioned to assess the potential economic impacts of the group's proposals for a commercial scale floating offshore wind farm deploying Ideol's innovative concrete foundations.

This paper summarises that analysis and sets out the potential positive economic impacts for Scotland from the partnership's commitment to manufacture foundations in Scotland and to maximise the value of contracts placed with Scottish-based suppliers.

It is important to stress that the numbers set out reflect the Commitment Scenario in our draft SCDS, and are, therefore, the minimum that we would expect to deliver, given the work that we will continue to take forward to identify new suppliers and also given the many initiatives being taken forward by government and its agencies to strengthen the Scottish supply chain. To illustrate this point, Biggar Economics calculates that for every additional 1% of capital expenditure secured by Scottish businesses, the employment impacts would increase by approximately 350 annual FTEs.

Please note that all figures are subject to ongoing review and refinement as we develop our ScotWind proposals.

Headline Impacts

The impacts have been measured across two project stages: capital expenditure (CAPEX) and operational expenditure (OPEX). **During the lifetime of the proposed development, it is expected that companies and organisations in Scotland are expected to be awarded contracts worth an approximate nominal value of £5 billion.** The largest economic opportunity will be during the development and construction phase of the proposed development.

This expenditure will drive economic activity through the Gross Value Added (GVA) and jobs that it supports.

Development and Construction

During the development and construction phase, it is expected that the proposed development will support 11,700 aFTEs and generate £900 million GVA in Scotland (aFTE = annual Full Time Equivalent or job year).

Chart 1 shows the employment that would be created by different aspects of CAPEX.

Table 1 Employment Impacts from CAPEX

Jobs Impact Scotland	Commitment Scenario (aFTEs)
Development	1,050
Manufacturing & Fabrication	7,820
Installation	2,840
Total CAPEX	11,700

It can be seen that the main driver of Scottish employment is manufacturing and fabrication, with local manufacture of foundations accounting for around 5,500 of the 7,820 aFTEs created by these work packages.

These figures include those directly employed by the proposed development and its contractors as well as the supply chain companies who have allocated a proportion of their time to the proposed development, but do not include impacts in the wider economy from spending of wages.

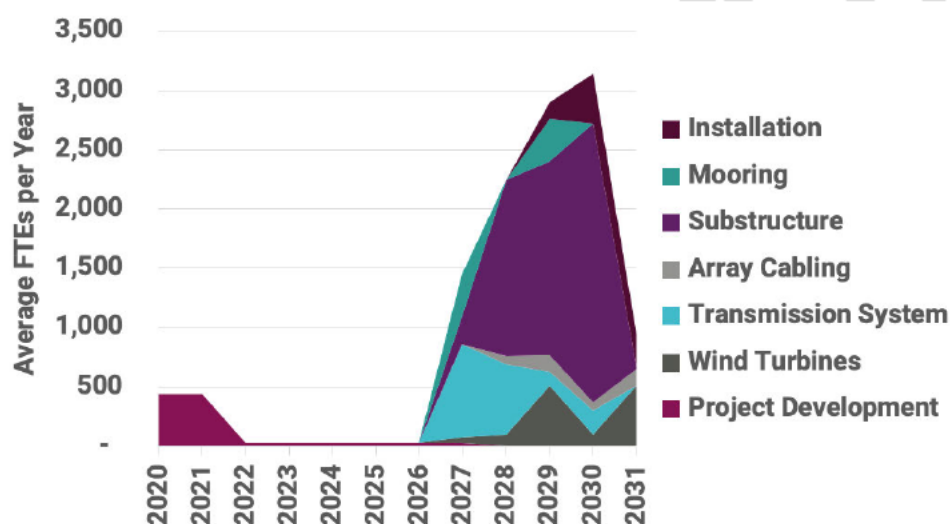
Operations

The economic impacts during the operational phase of the project will be long term and this phase represents a significant opportunity to both the Scottish and UK economies. **In an average year, the operational expenditure on the proposed development is expected to support 380 jobs and £55 million GVA in Scotland. This gives a total of 11,400 aFTEs over the thirty years of the project's operational phase.**

Employment Impacts over Time

The capital investment impact is expected to be spent over a 12-year period, from 2020 to 2031 with Table 1 showing the distribution of employment impacts in directly contracted and supply chain companies over this time period.

Table 2 Development and Construction Jobs over Time, Scotland



Source: BiGGAR Economics Analysis

The peaks in employment would occur in 2030, which would see an average of 3,140 directly contracted and supply chain FTEs supported during the year. This would occur during the manufacturing of the hulls for the first phase of the development and the construction and installation of the transmission system.

Total Impacts

When the development, construction and operational impacts are combined, the project is estimated to support more than 23,000 aFTEs, and the total impact on the direct contractors and the supply chain is expected to be £2.6 billion GVA in Scotland.

If the full impact is considered, including the induced impacts, over the lifetime of the project, the proposed development will generate £3.2 billion GVA in Scotland.