

**Marubeni Corporation**

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Crown Estate Scotland  
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22 February 2021

Regarding the delay to ScotWind Leasing process

General Background

We are writing on behalf of Marubeni Corporation (**Marubeni**). Marubeni has been an active investor in the UK renewable energy sector for over 20 years, starting with the establishment of SmartestEnergy, an aggregator of independent renewable generation projects and a retailer to the commercial and industrial sector. We were also an early mover in the UK offshore wind sector with Gunfleet Sands investment in 2011, and since then the total UK investment in the renewables sector (including our offshore wind installation business Seajacks) has amounted to around GBP 1 billion.

Over these 20 years of engaging with the UK renewable energy sector as a foreign investor, our decision making and internal approvals have always highlighted the stability of the regulatory system and, frankly, world leading transparency of the competitive energy market even as it went through significant reform, and our experience has generally borne this out.

We have also benefited from our relationship with the British Embassy, being provided opportunities for direct communication with respective ministries and agencies, for which we are very grateful. Our relationship with British Embassy has been especially positive since Mr. Teruo Asada, a Permanent Advisor of Marubeni, was assigned as the 5<sup>th</sup> chairman of British Market Council in 2015.

We sincerely believe that Marubeni's continuous commitment to the UK power market has been and will continue to be a win-win relationship between the two countries, and highly complementary as Japan itself moves toward both offshore wind and deregulated energy markets, following the UK model. Our belief is symbolised in Akita-Noshiro Offshore Wind project, where we leveraged our experiences in the UK offshore market to develop Japan's first commercial scale offshore wind project. In doing so we have imported the UK offshore wind supply chain, specifically, jack-up vessel providers, and multiple advisory firms to cover technical, legal and insurance aspects of the project, and both our office in Tokyo and the project site in Akita are now largely populated by UK nationals providing their expertise (more than 50 to date). We are increasing the number of those experts coming in from the UK, as offshore construction is about to commence this Spring.

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ScotWind Opportunity

We believe that ScotWind presents an ideal opportunity for us to further build the relationship described above and indeed make a decades long commitment to Scotland. Marubeni arguably has some of the most "real-scale" experience of floating offshore wind technologies of any developer in the world, acquired through the Fukushima floating offshore wind project, and the Kitakyushu floating offshore wind project in Japan. Marubeni is therefore extremely well placed to make a significant contribution to ScotWind, where floating technologies are likely to play a vital role. Through these experiences, we also have built strong relationships with supply chain companies and familiarised them with the floating offshore wind technology. It has been our intention to dedicate these experiences and relationships to the ScotWind development, to contribute to achieve Scotland's renewables ambitions, and then hopefully to capitalize on this UK / Japan supply chain in the future for our own country's build out of floating offshore wind power.

ScotWind is the single largest proposed commitment for Marubeni's power team at present. Since early 2019 we have dedicated resources (namely, members of Overseas Power Project Department based in Tokyo, our 100% subsidiary Marubeni Europower based in London, and our specialist subsidiary Marubeni Offshore Wind Development Corporation, based in Tokyo) and multiple external advisors to develop the best possible proposal for ScotWind. As you may be aware, we officially registered as a bidder on 3 August 2020, as a member of a consortium with SSE plc. and Copenhagen Infrastructure Partners.

As a part of our bid preparation process, we have been heavily engaged with floating offshore wind supply chain companies to form a "team Japan", for maximizing inward investment and job creation, with unfailing support from Scottish Development International for which, again, we are extremely grateful. Our approach has been to encourage those suppliers who are capable to fill the supply chain gaps in Scotland and/or the UK by having Japanese specialists localize in the market, and by making early and strong involvement by Marubeni and its consortium members with them during the design and concept phase of ScotWind. So far, we have entered into three MOUs, including one with a HVDC cable supplier, and are in ongoing discussion with three other suppliers including a floater supplier.

ScotWind Delay

To date, our experience on ScotWind, as with our engagement with the UK power sector in general, has been highly positive. However, the announcement on February 11th by the Crown Estate Scotland that the ScotWind Leasing process will be delayed and that the option fee structure will be reviewed has come as something of a shock. We are well advanced in seeking an internal approval for a commitment that could stretch out over decades and involve hundreds of millions of pounds of development and capital expenditure – a challenging decision even for a company of the size of Marubeni. That approval process has now been put on hold, while

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other potential Marubeni power projects around the world compete for the same capital.

While we appreciate Crown Estate Scotland's legal constraints and the Scottish Government's prerogatives to obtain value for the seabed leasing, we can state very sincerely that the change in a core assumption like option structure and fees at this stage in the bidding process puts our approval at risk (on its own), but more fundamentally raises questions over the stability of assumptions we are making about the conventions and regulations which will apply to the project and the jurisdiction in general. These uncertainties reverberate along our supply chain of Japanese companies we hope to introduce to the Scottish market.

We would therefore urgently request that;

- the outcome and the next steps to be clearly presented by the said target of 24th March to minimise the further delay, and
- the changes made to the option structure (if any) be minimized.

We appreciate your ongoing support and thank you for taking the time to consider our concerns raised in this letter. Please do not hesitate to contact either of us to discuss this further in person.

Sincerely,

Marubeni Corporation

Marubeni Offshore Wind Development Corporation

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