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**SSE Renewables**  
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Dear Minister

### **ScotWind: a golden opportunity for Scotland to lead the world in offshore wind**

I am writing to you regarding the news that Crown Estate Scotland has taken the decision with Scottish Government support to delay ScotWind. Whilst another delay is clearly disappointing, we fully understand the desire to review the process in light of the outcome of the Round 4 seabed leasing auction for England and Wales.

Round 4 has been heralded by some commentators as a positive reflection of the attractiveness of the UK offshore wind market. However, SSE Renewables and indeed the vast majority of the industry, believes that the very high option fee costs incurred by Round 4 winners will unnecessarily increase the cost of offshore wind development in England and Wales, which will ultimately be borne out in higher consumer costs via CfD bids and lower benefits for those countries as supply chains are squeezed.

Over the last decade offshore wind has transformed how we will achieve net zero. Through a combination of competition, technology advances and increasing expertise the cost of the energy produced is now at parity with conventional sources of power. In our view, introducing any mechanism on the back of this success which will result in higher energy costs seems wholly inappropriate. In light of the Round 4 results, Scotland's offshore wind sector **now has an opportunity to gain competitive advantage over its English and Welsh counterparts in future CfD auctions**, provided that Crown Estate Scotland and Scottish Government maintain the more sensible and pragmatic approach to seabed leasing whereby bids are capped and developers' wider commitments to developing the supply chain are assessed.

A substantial increase to the option fee structure for ScotWind may bring more revenues in the short term but Scotland's offshore wind sector, and the significant economic benefits it brings, would lose out in the long term.

Firstly, Scottish projects are already at a competitive disadvantage due to TNUoS differentials. Adding upfront option fees at similar levels to those seen in Round 4 would be a missed opportunity to close that gap in future CfD auctions where Scottish and English and Welsh projects will all be competing against each other. Put simply, fewer Scottish projects will win CfDs and progress to construction.

Then, secondly, Scottish supply chain development will ultimately be hindered if less Scottish offshore wind projects can be successfully developed. That would run counter to the positive aspects of the ScotWind process which seeks to ensure that the most credible developers with the track record and commitments to support Scotland's long-term supply chain development are the ones which succeed. Best value is therefore rightly seen and measured in a wider and longer term way.

This is a golden opportunity for Scotland and a short term approach is not in the ultimate interests of Scottish offshore wind and Scotland Plc. Naturally, SSE Renewables would be delighted to work constructively with Scottish Government and Crown Estate Scotland as it consults on the best way to ensure that ScotWind delivers for the success of the country and local communities.

I am happy to discuss this in person and will make contact with your office

Yours sincerely

