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UK Government Support Mechanisms for Offshore Wind

- Is it working?



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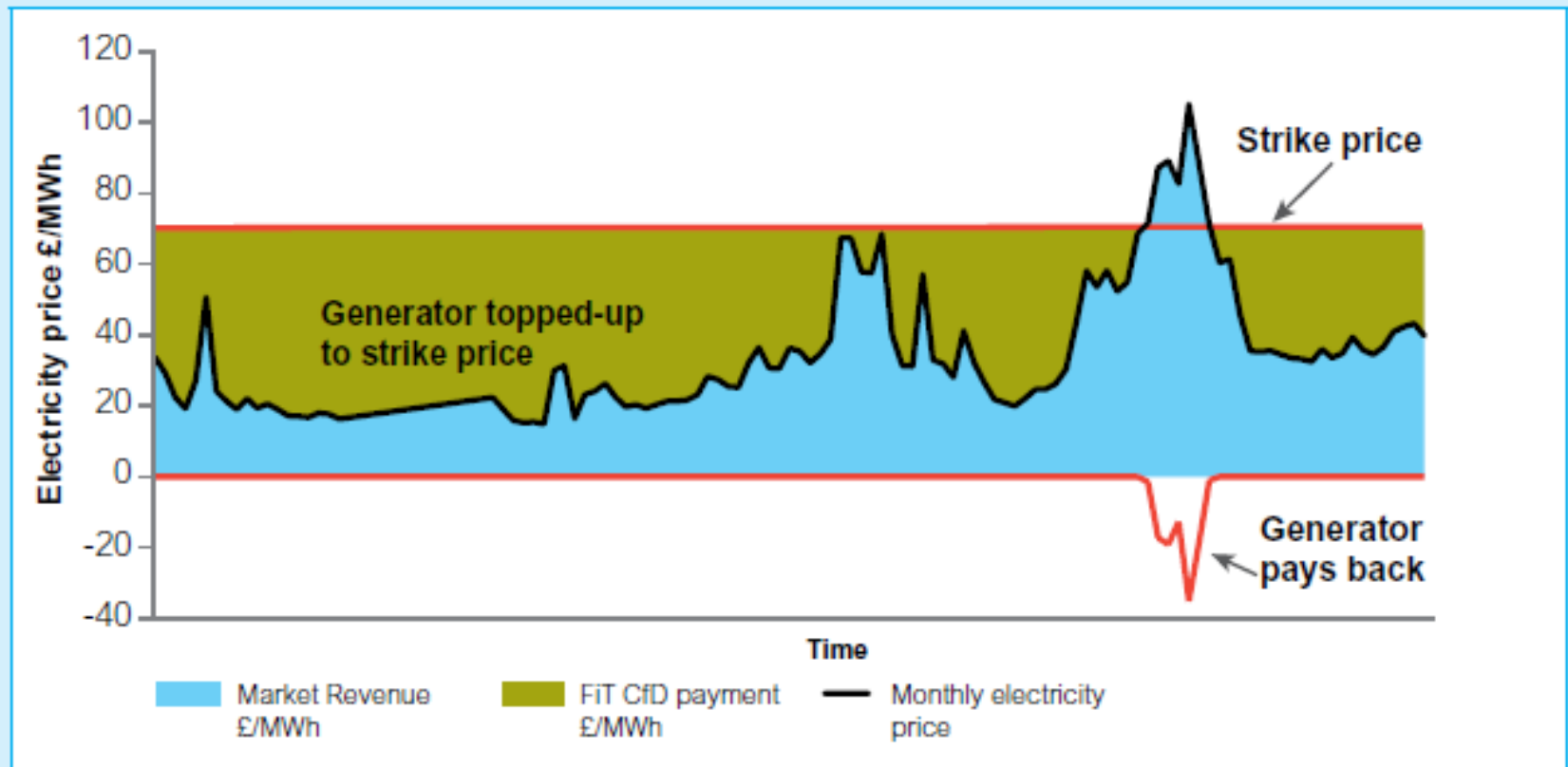
Agenda

- Available UK subsidy regime – Contracts for Difference (CfDs)
- CfD auction process
- The state of the UK offshore market
- The effect of the switch to CfD
- The future – risks and opportunities



CfD Mechanism

Figure 5: The operation of an intermittent Feed-in Tariff with Contract for Difference



Source: Department of Energy & Climate Change, Planning our electric future: a White Paper for secure, affordable and low-carbon electricity, July 2011

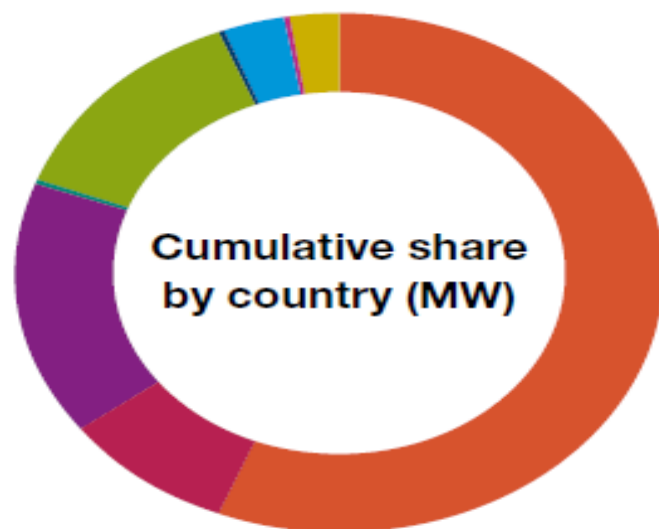
CfD Auction Process

- Periodic CfD rounds
- Government sets the ceiling price and budget
- Sealed bids
- Competition
- Overall aim is to encourage efficiencies and innovation, and to reduce prices



UK share of installed offshore wind capacity – Dec 2014

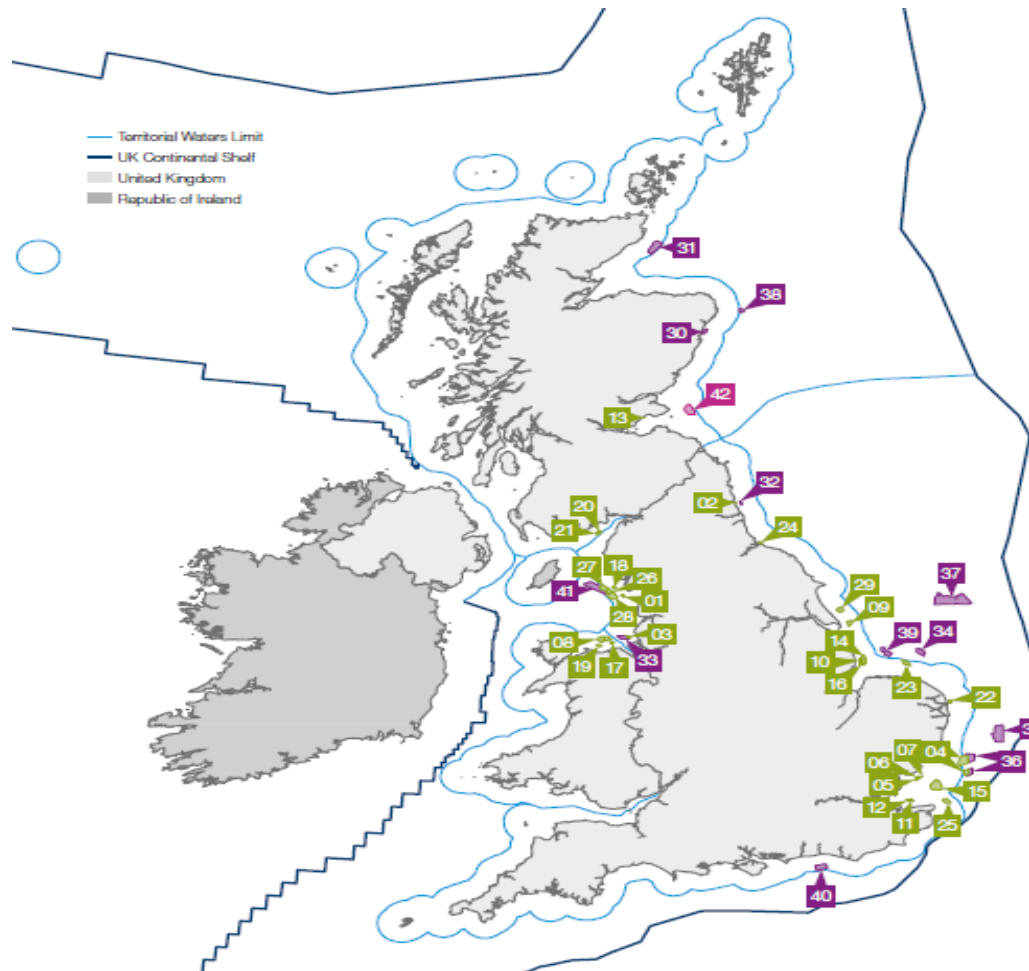
Figure 2: Total grid connected capacity installed – 31 December 2014



UK	4,494.4	55.90%
Belgium	712.0	8.80%
Denmark	1,271.0	15.80%
Finland	26.0	0.30%
Germany	1,049.0	13.00%
Ireland	25.0	0.30%
Netherlands	247.0	3.10%
Norway	2.0	0.02%
Portugal	2.0	0.02%
Spain	5.0	0.10%
Sweden	212.0	2.60%

Source: The Crown Estate, Offshore Wind Operational Report 2015

Offshore wind farms in the UK



Source: The Crown Estate, Offshore Wind Operational Report January – December 2016

The Crown Estate

“In 2016 we saw significant construction activity in northern Europe, with offshore wind spreading to North America, east Asia, India and elsewhere. According to the Global Wind Energy Council, the UK remains the world’s largest offshore wind market, with 5.1 GW (36%) of installed global capacity.”

Source: The Crown Estate, Offshore Wind Operational Report January – December 2016

The effect of the switch to CfD – Early Enabling Auction

- Early enabling auction round

Project Name	Capacity Awarded
Burbo Bank Extension	258 MW
Walney Extension	660 MW
Hornsea Project One	1.2 GW
Beatrice	664 MW
Dudgeon	400 MW

- Approximately 3.2 GW of offshore wind capacity awarded in 2014

The effect of the switch to CfD – First CfD Auction

- First CfD auction round

Project Name	Capacity Awarded
East Anglia ONE	714 MW
Neart na Gaoithe	448 MW

- Approximately 1.2 GW of offshore wind capacity awarded in 2015

The effect of the switch to CfD – Second CfD Auction

- Second CfD auction round

Project Name	Capacity Awarded
Triton Knoll	860 MW
Hornsea Project Two	1.386 GW
Moray East	950 MW

- Over 3 GW of offshore wind capacity awarded in 2017

The Future

- Maintaining confidence is key

The Future

- There are risks and opportunities
 - CfD pre-qualification criteria
 - Massive, upfront and at risk costs
 - Balanced against flexibility

All Offshore Wind CfD Projects to date

Year of Award	Project Name	Capacity Awarded	Strike Price (£)
2014	Beatrice	664 MW	140-155 range
2014	Burbo Bank Extension	258 MW	140-155 range
2014	Dudgeon	402 MW	140-155 range
2014	Hornsea Project One	1.2 GW	140-155 range
2014	Walney Extension	660 MW	140-155 range
2015	East Anglia ONE	714 MW	119.89
2015	Neart na Gaoithe	448 MW	114.39
2017	Triton Knoll	860 MW	74.75
2017	Hornsea Project Two	1.386 GW	57.50
2017	Moray East	950 MW	57.50

The Future

- A real statement of intent
- Still challenges ahead
- Getting the balance about right

Commentary on Second CfD Auction

“This is a breakthrough moment for offshore wind in the UK and a massive step forward for the industry. Not only will Hornsea Project Two provide low cost, clean energy to the UK, it will also deliver high quality jobs and another huge boost to the UK supply chain.

Successive governments deserve great credit for providing the certainty for continued investment in offshore wind, enabling it to become the thriving renewable industry it is today. Costs are falling rapidly, long-term and highly-skilled jobs are being created across the North of England and the UK supply chain is going from strength to strength. We're now really seeing the benefits of this commitment to offshore wind and there is still so much more to come. Indeed, it has the potential to play a key part in the realisation of the UK's industrial strategy.”

Matthew Wright, Managing Director for DONG Energy UK

Source: <http://www.dongenergy.co.uk/news/press-releases/articles/dong-energy-awarded-contract-to-build-worlds-biggest-offshore-wind-farm>

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