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Winds of Change: Scotland's offshore wind journey

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Scottish Government

Scotland's offshore wind pipeline

38GW*

Scotland's offshore wind pipeline

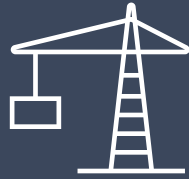
Almost 28GW of this is via ScotWind, and over 17GW of this floating offshore wind. The INTOG round could deliver an additional 5.5GW of project capacity



£28.8bn

ScotWind investment commitments

ScotWind's 20 projects are, on average, committed to £1bn investment into Scotland per GW of capacity built



23%

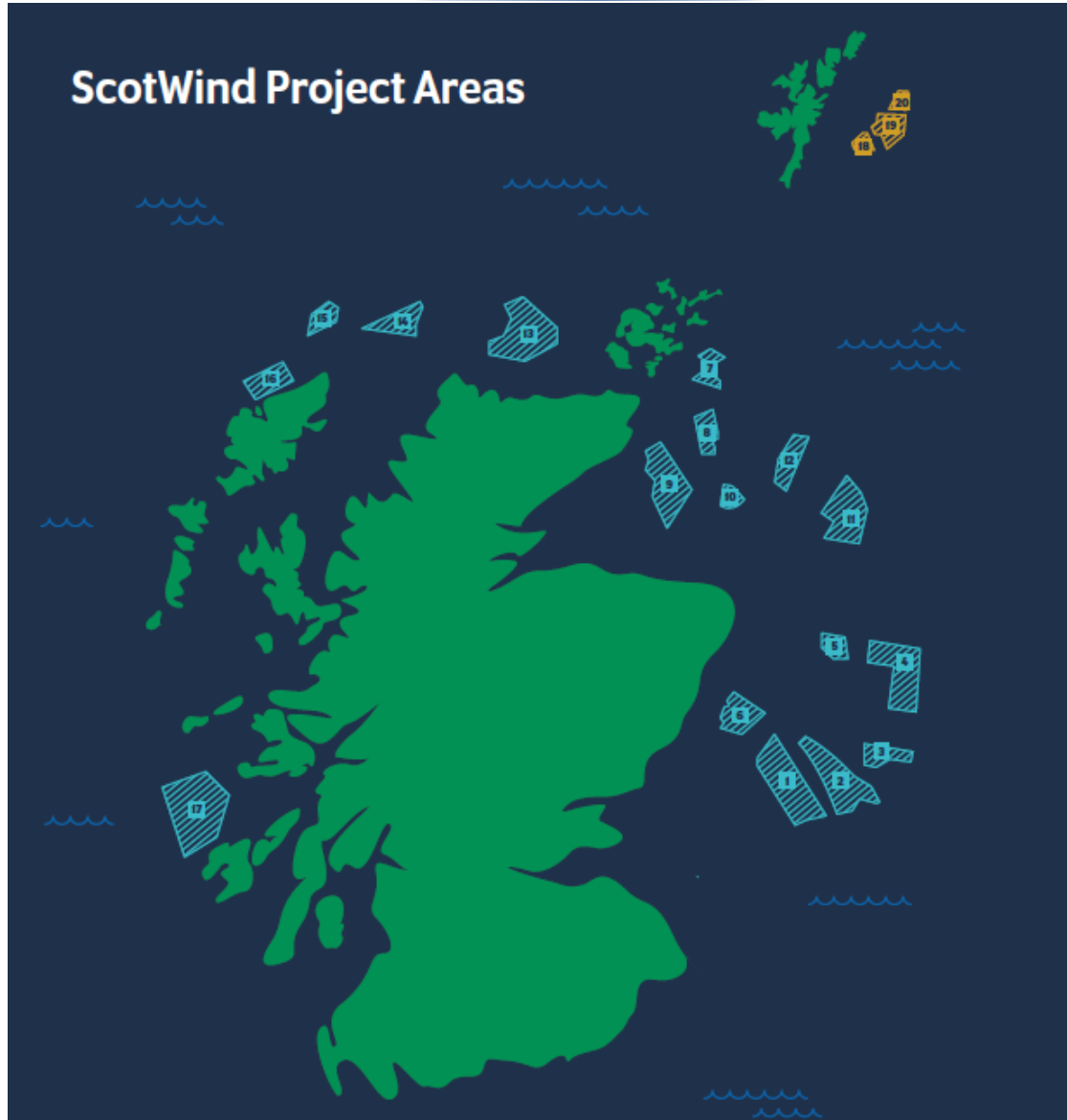
ScotWind's floating pipeline

ScotWind's floating projects make up 23% of the global pipeline of projects. INTOG could grow this to 30%. **



* Subject to planning and consenting decisions and finding a route to market
** Calculation on projects with a lease in place. Based on RenewableUK Energy Pulse Data, March 2023

Outcome of the ScotWind leasing round



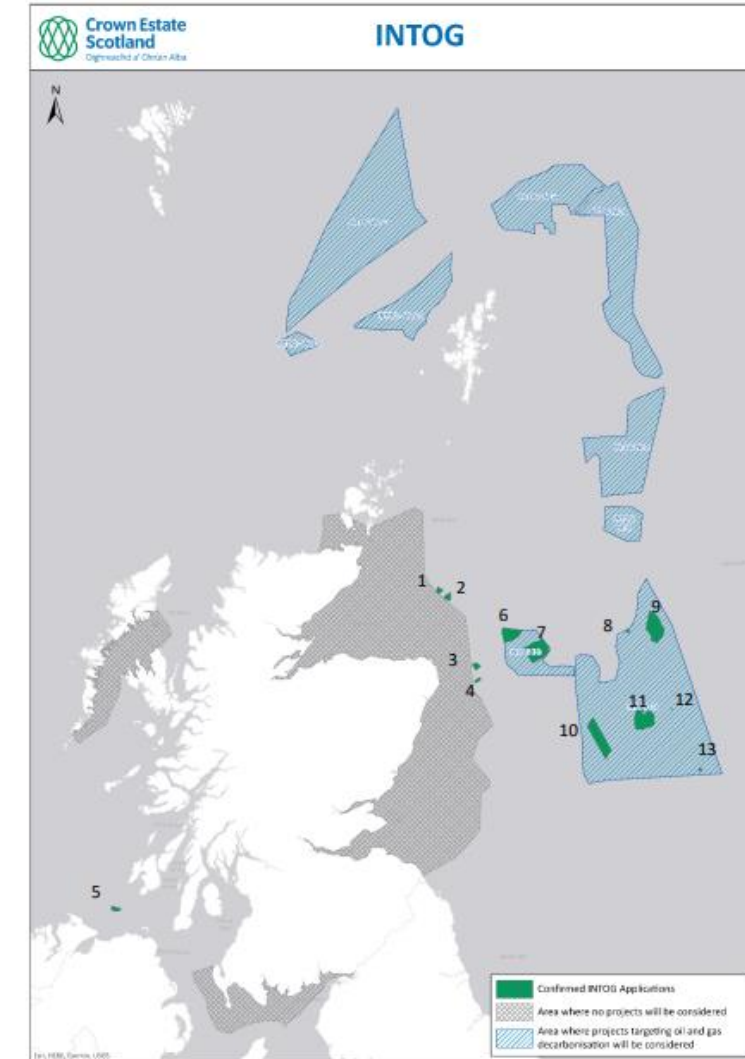
- **20** projects with a combined ambition to deliver up to **27.6GW** of offshore wind power
- **14 projects** (>17GW) will use floating technology - making it the largest scale floating offshore wind opportunity in the world
- Over **£750 million** raised in revenues for public purse and will bring billions of investment into the Scottish economy
- In addition, ScotWind will deliver several billion pounds more in rental revenues once projects become operational



Outcome of the Innovation and Targeted Oil and Gas (INTOG) leasing round

Innovation and Targeted Oil & Gas (INTOG) is a leasing round for offshore wind projects that will directly reduce emissions from oil & gas production and boost further innovation.

- **13** projects out of a total of **19** applications – **5** for IN and **8** for TOG - have been offered Exclusivity Agreements
- Expected to generate **£262m** in applicant fees
- Once projects are operating, further rental revenues will be secured
- Seabed lease of 50 years for TOG projects and 25 years for IN projects.
- Exclusivity Agreements will cover projects with a proposed capacity of up to 499MW for IN and 5GW for TOG.

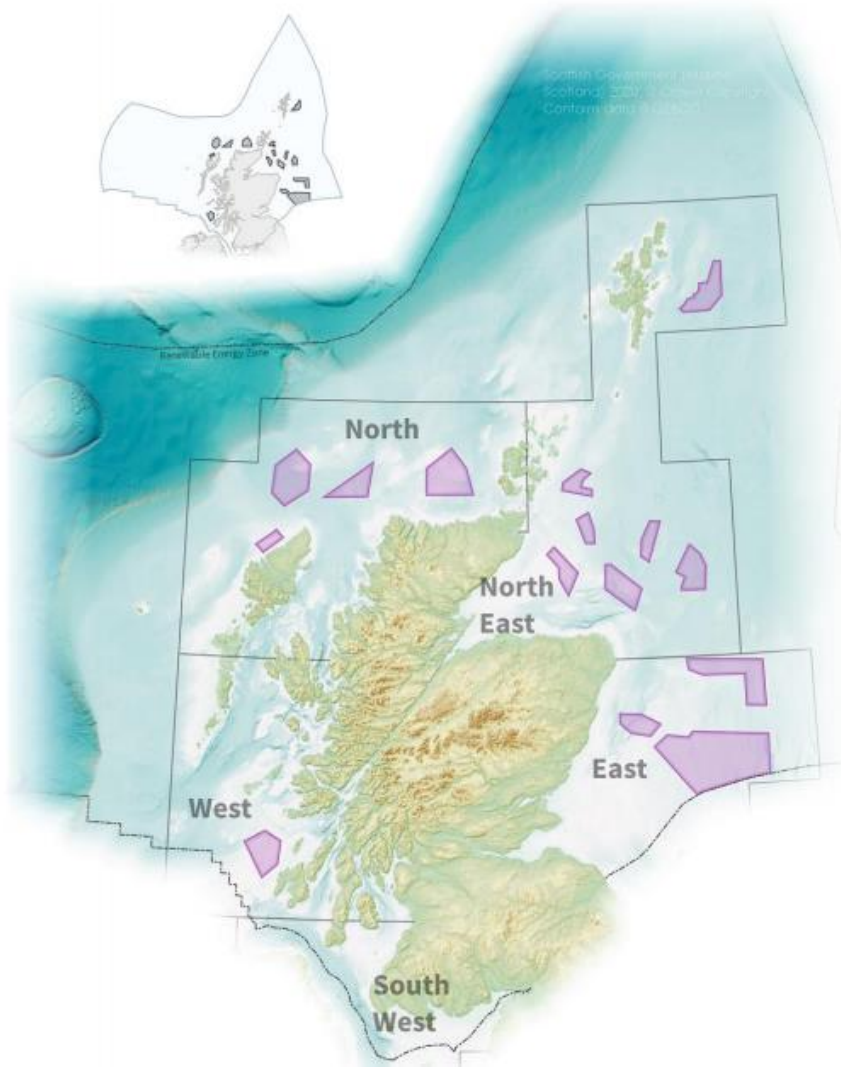


Scotland's offshore wind policy context

- Offshore wind recognised as a strategically important technology in the early 2000s
- Consistent policy support from the Scottish Government
- Ambition to achieve 8-11GW of installed offshore wind capacity in Scottish waters by 2030
- Sectoral Marine Plan and offshore wind leasing opportunities
- Engagement with UKG on key reserved policy areas i.e CfD and grid



Key challenges and opportunities - route to seabed



- ScotWind was the first devolved leasing round for offshore wind development in Scottish Waters, and the first leasing round in Scotland in a decade
- Plan-led approach to offshore wind leasing rounds
- Leasing rounds administered by Crown Estate Scotland (CES)
- Leasing round carefully designed by CES to focus on quality of bids and deliverability of projects
- Conditionality embedded to secure supply chain investment in Scotland



Supply Chain Development Statements (SCDS)

The SCDS for the 20 successful applications included an estimated total level of committed spend in Scotland of c£28bn for 27.6GW of electricity. This amounts to c£1bn per 1GW of capacity.

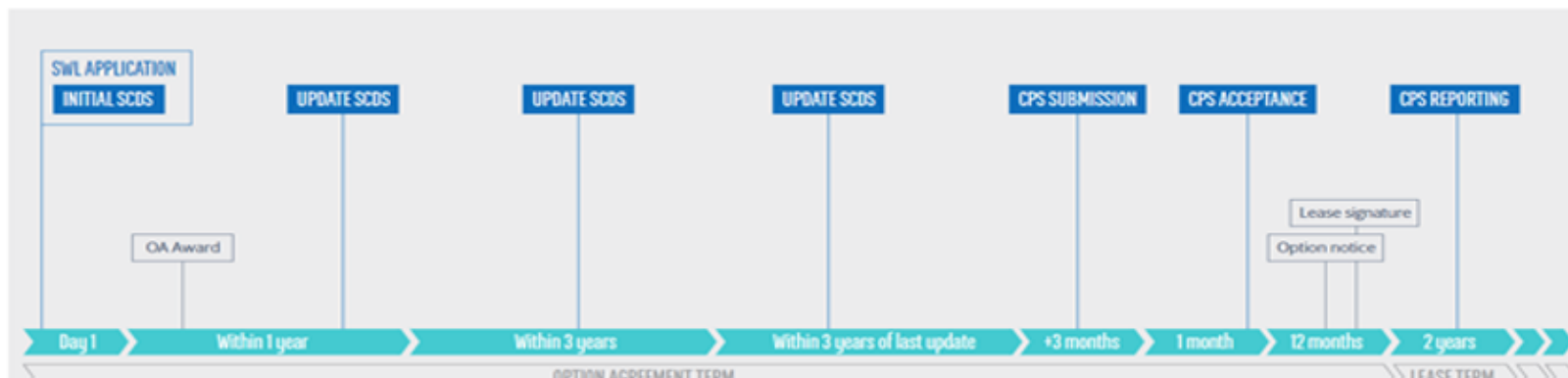
Projects were required to submit a SCDS as part of their ScotWind bid. The submission included an Outlook (summary) and full SCDS plus narrative. They were required to outline the level of both committed spend and ambition over the development, construction and operation phases (first 6 years) of the project in Scotland, rest of the UK, EU and rest of the world.

The SCDS was not scored as part of the ScotWind evaluation process but the commitments are included within the Option Lease Agreement (OLA). Developers are required to update the SCDS within 12 months of signing the OLA and every 3 years from OLA to Lease. They can update as many times as preferred within this 3-year period but required to, at least once.

The Lease is usually concluded around Final Investment Decision on the project.

The Contracted Position Statement (CPS) is submitted in advance of stepping into Lease and includes demonstration of expenditure incurred or contracted. Crown Estate Scotland (CES) will assess any variance between the final SCDS and the CPS and advise on acceptance. Contractual remedies are triggered on the following basis:

Percentage of Commitment expenditure that is demonstrated by CPS when lease is requested	Contractual remedy
100% or more	No remedy
90% or above and less than 100%	Payment by applicant of £50k
50% or above and less than 90%	Payment by applicant of £100k
25% or above and less than 50%	Payment by applicant of £250k
Less than 25%	Lease may not be requested



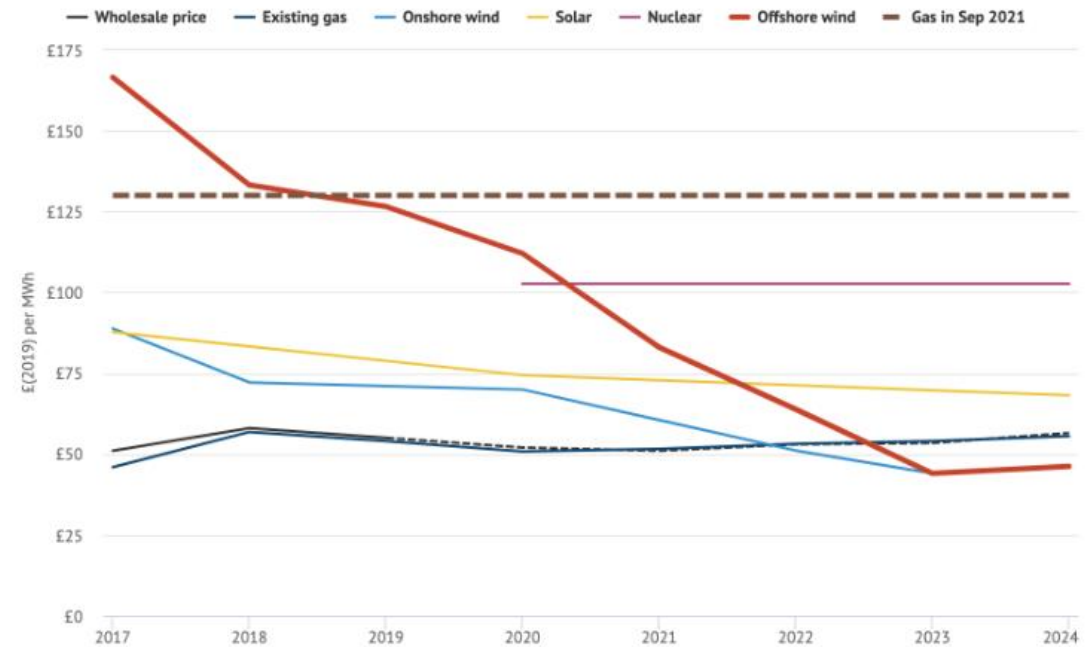
Key challenges and opportunities – route to market

- The main support mechanism and route to market for offshore renewables projects in Scotland is the UK Government's **Contracts for Difference (CfD) Subsidy Regime**
- Developers are paid a fixed "strike price" for each unit of energy they produce over a 15 year period.
- Incentivises investment in renewables projects
- Reduces the cost of capital
- AR4 record low strike prices - £37.35/MWh

Cost per MWh of different technologies, 2017–2024

Record-low UK **offshore wind prices** could be cheaper than **existing gas plants** by 2023

Prices for onshore wind and solar could be even lower but they cannot compete for contracts



Source: Carbon Brief, Analysis: Record-low price for UK offshore wind cheaper than existing gas plants by 2023. [Link](#).



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Key challenges and opportunities – route to power

- Timely access to grid connections is crucial for the deployment of offshore wind projects
- Urgent need to upgrade the grid in the UK
- UKG launched the Offshore Transmission Network Review (OTNR) in 2020
- The OTNR is looking at how to overhaul the piecemeal process of connecting offshore wind and create a 'holistic network design'

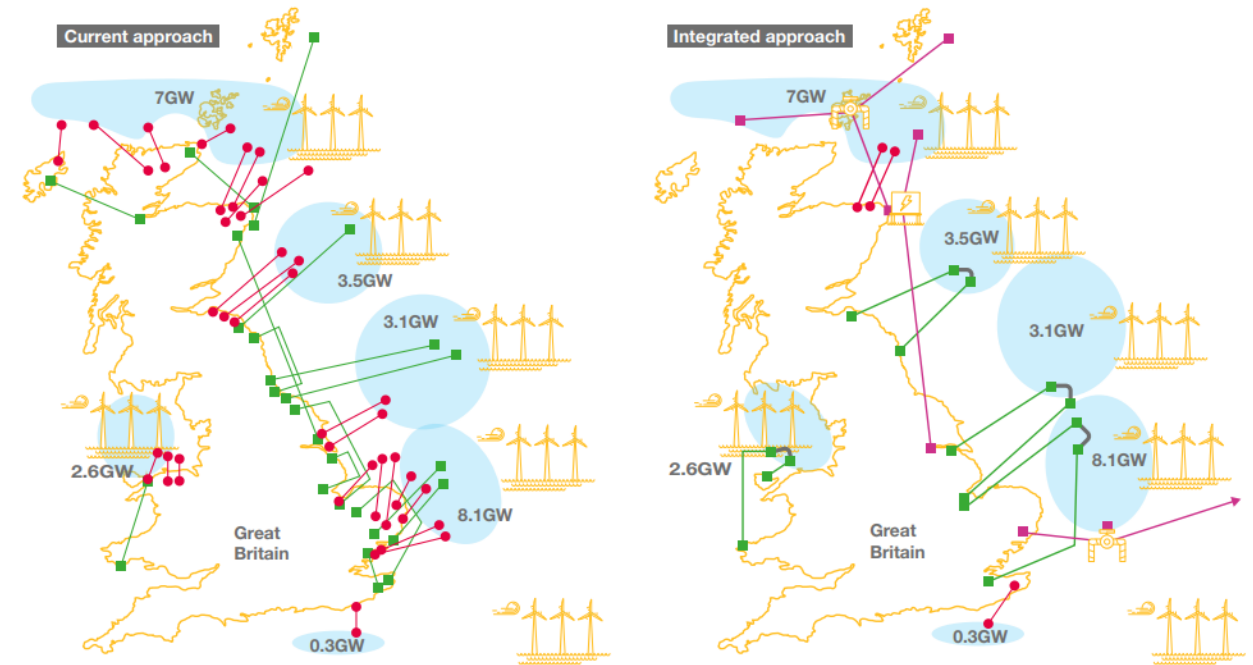
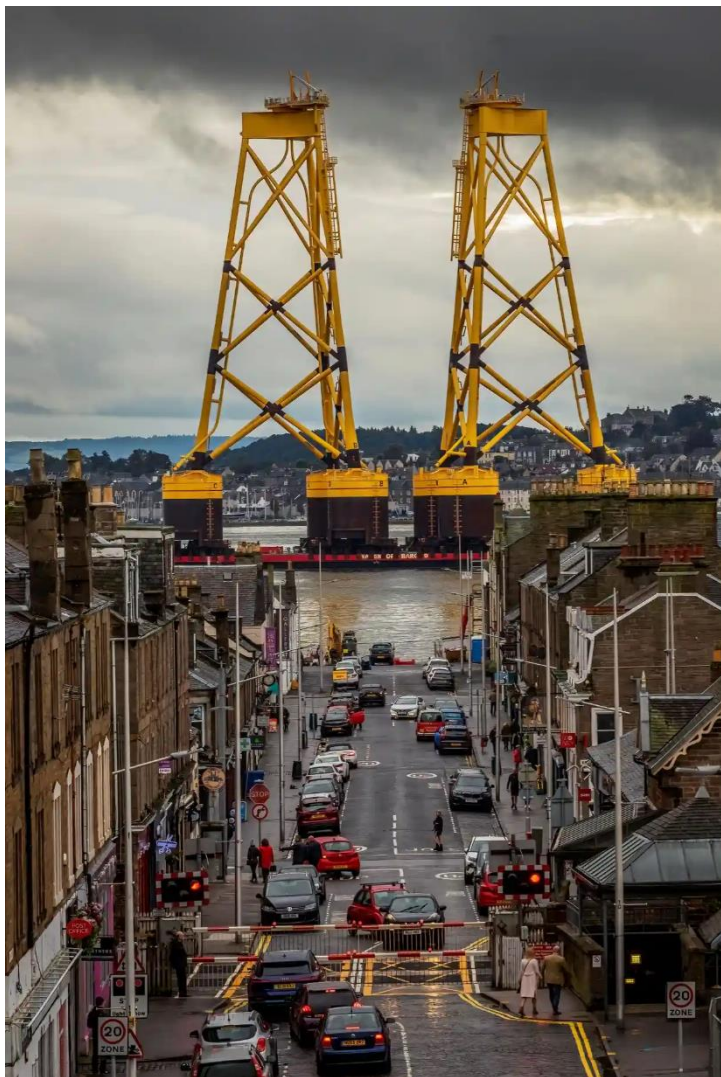


Figure 2 Status quo and Integrated Great Britain network designs in 2030



Key opportunities and challenges - supply chain



Photograph: Seagreen Wild Energy Ltd

- The Scottish Offshore Wind Energy Council (SOWEC) is key industry government partnership
- Collaborative Framework announced in May 2022 and has been signed by all active offshore wind developers in Scotland
- We are working in partnership with industry and public sector partners to create a Strategic Investment Model (SIM) which will facilitate delivery of CF commitments
- Implementation will maximise economic growth from offshore wind and create a competitive supply chain with the capacity and capability required



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1. Long term policy commitment is crucial
2. Embed conditionality in seabed leases
3. Design policies and mechanisms to achieve long term goals
4. Take a strategic approach to grid infrastructure
5. Effective collaboration is required between government and industry



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