



Strategic Investment Model Information Session 1

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Scotland's Collaborative Framework & Strategic Investment Model

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SOWEC works as a partnership to coordinate sector-wide action



The **Scottish Offshore Wind Energy Council** is a partnership between the Scottish public sector & the offshore wind industry

It's mission is to coordinate and grow the sector, ensuring the Scottish offshore wind industry is more sustainable, competitive, and commercially-attractive, both domestically and in the global offshore wind market. Its goals are to:

- Deliver 11GW of fixed and floating offshore wind in Scottish waters by 2030
- Establish Scotland as a world-class offshore wind sector at the leading edge of technology innovation, driving excellence in efficiency, productivity, safety, and sustainability
- A transformational and rapid increase in economic value, delivering a world-class Scottish supply chain
- Develop a highly skilled and diverse workforce, support new entrants, expand apprenticeships and enable transitioning from existing sectors whilst inspiring the future talent pipeline and increasing the representation of women and BAME workers
- Champion floating and fixed offshore wind's contribution to achieving Scotland's net-zero commitment by 2045, incorporating the oil and gas transition, hydrogen & wider energy system integration.

The **Strategic Investment Assessment** was commissioned by SOWEC to advise on priorities for Scottish supply chain growth

The SIA reported in August 2021. Led by Professor Sir Jim McDonald and supported by an Executive Committee of senior industry and government representatives, the SIA made 5 recommendations. Its primary recommendation was that:

"The offshore wind sector's priority must be the establishment of a collaboration framework focused on building confidence amongst Scottish ports, so that required investment is brought forward in time."



The SIA also noted that:

"The offshore wind sector must recognise that the status quo will not deliver the value Scotland needs. Offshore wind needs to learn from other industries and look to collaborate...."

"The proposed industry actions need to be matched by the UK and Scottish Governments.... without government action and ambition, other ports in other countries may still trump Scottish aspirations by getting there first."

SOWEC is responsible for implementing the SIA. It set up the **Collaborative Framework Working Group** at end 2022

In January 2022, Scotland's First Minister wrote to all successful ScotWind bidders to invite them to join the CFWG. Discussions focused on practical tools for how to collaborate, which led to a signed Charter, with the following Purpose:

"A Collaboration Framework will assist Scottish offshore wind developers, the wider supply chain and support agencies, to work collaboratively to build up processes, documents and tools that support growth of Scottish supply chain and help to create a sustainable pipeline which gives Scottish companies confidence to invest ready to support this delivery. In doing this, the Framework will also help industry work collectively to remove risks that could hold back delivery of this [ScotWind] opportunity."

- By end of 2022 the CFWG has agreed to the SIM structure, and a plan for next phases of work
- By end January 2023, all ScotWind project Boards (not yet including N1 clearing projects) agreed to continued involvement in SIM.

Scotland's offshore wind pipeline

37GW*

Scotland's offshore wind pipeline

Almost 28GW of this is via ScotWind, and over 17GW of this floating offshore wind, plus the recently announced 5.4GW through INTOG



£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 29%. **



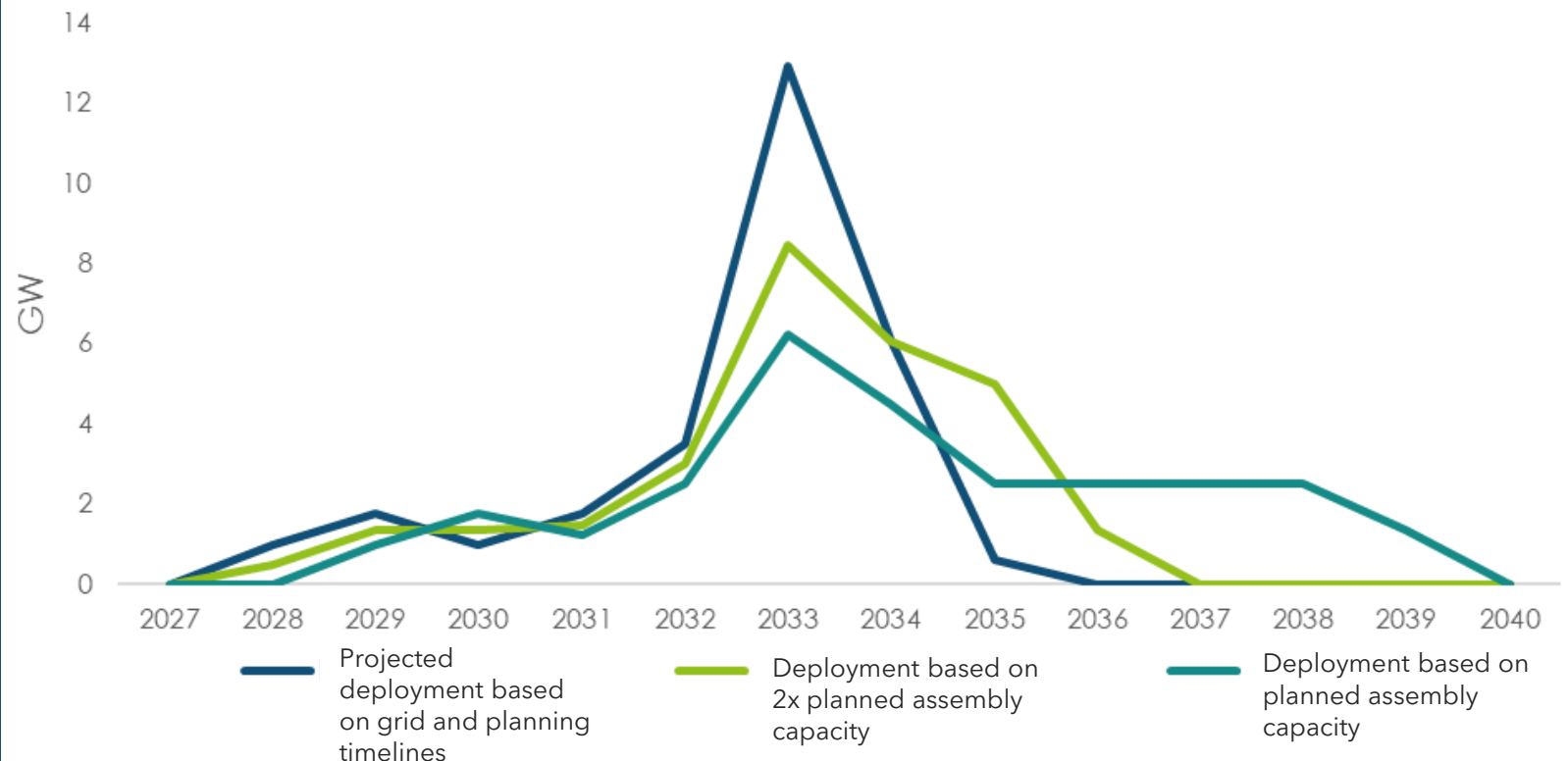
* Subject to planning and consenting decisions and finding a route to market
** Calculation on projects with a lease in place. Based on RenewableUK Energy Pulse Data, March 2023

ScotWind is a once-in-a-generation opportunity

Offshore wind needs ports to deliver. Port activity can help catalyse wider investment and supply chain clustering. However, existing port constraints will either delay deployment, or limit Scottish content by forcing developers to use port facilities outside of Scotland

- Timelines produced by SOWEC show that there is a shared sector risk of slowed deployment due to shortage of port space for assembly and manufacturing
- If ScotWind projects are to be assembled using Scottish ports, available planned assembly capacity will slow pipeline delivery out to 2039
- Note, this is based on current capacity and planned upgrades. Based on current capacity, deployment would be pushed back into the 2040s, assuming projects are assembled in Scotland
- For floating offshore wind, if foundations are to be fabricated in Scotland, insufficient port capacity would slow deployment out to nearly 2050.

Mapping ScotWind timelines onto port capacity highlights significant delays if available port infrastructure is set as a constraint on assembly



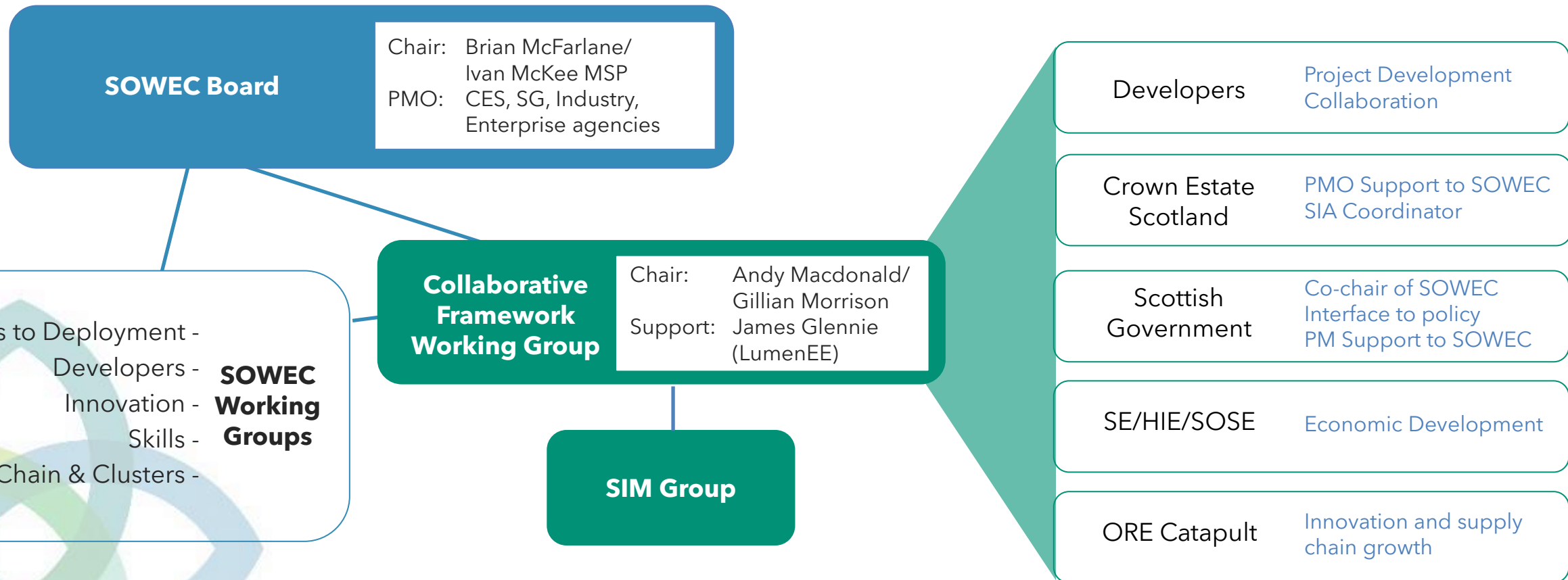
The Strategic Investment Model – summary of purpose

- This slidepack sets out the background to Scotland's Strategic Investment Model (SIM)
- The starting point to this work is the view that lack of scale and visibility of pipeline has been a significant factor in not achieving infrastructure investment and securing industrial manufacturing for this industry
- To secure industrialisation and a competitive, commercially attractive supply chain requires all parties to think differently
- Business as usual, in terms of the timeline for investments driven by the Contract for Difference (CfD) and financial close of projects, will not deliver the best results
- However, a focus on delivering transformative action that leads to early-stage, strategic investment in ports and supply chain is critical. This approach was recommended within the 2021 Strategic Investment Assessment (SIA)
- With a dedicated organisation appointed to support its delivery, work on the Collaborative Framework and the SIM is moving to the next phase. This work is being supported – both financially and through provision of resource – by industry, Scottish Government and stakeholders.



Image: Seagreen jacket installation courtesy of Seagreen

Scotland's Strategic Investment Model has been co-developed by the Scottish Government and offshore wind industry



Investment in Scottish port infrastructure is required to unlock supply chain growth

What are the challenges?



Ensuring sufficient port capacity

Scottish ports have been active in the build-out of existing projects. But the pipeline of projects means insufficient capacity to supply port space for activities such as assembly and manufacturing.

This challenge is particularly acute for floating offshore wind projects which have greater port requirements in terms of space and other needs.



Unclear pipeline visibility

There is uncertainty in the timing & requirements in the market which makes it difficult for ports to get a clear picture of industry needs.

While the opportunity is large, certainty is low, so ports may prioritise other higher-certainty work in the short term, removing port capacity needed for offshore wind deployment.



Project-by-project approach

Developers need to progress projects, so are engaging with ports. However, ports cannot work with developers as a group to align requirements and manage risks.

Developers need clarity on consent, grid and revenue before they can reach Final Investment Decision, meaning contracts come late and very close to delivery date.



Unlocking investment in time

If the sector waits until projects can unilaterally contract with ports, ports cannot be made ready in time for ScotWind delivery.

There is a need to work ahead of time to build business cases. High investment cost, funding and other investment options are all barriers to infrastructure investment and supply chain growth.



Finding a catalyst for inward investment

Securing Scottish content from offshore wind manufacture and assembly may also require inward investment.

The cost of making an investment into Scotland is significant and needs a strong business case to be justified. This means securing work from multiple projects which is hard to do at early project stage.

Scotland's Strategic Investment Model

The SIM has been developed to support structured collaboration between industry and Government & help foster increased confidence to unlock infrastructure investment



Understanding infrastructure needs



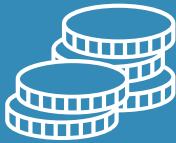
To deliver Scotland's offshore wind pipeline significant infrastructure upgrades are required. The SIM aims to build a shared view of need. By working across industry and the public sector, effort and potentially investment can be pooled and risks shared.

Stage 1: Cross industry assessment



The SIM is Stage 1 of a clearly defined process. Stage 1 involves an assessment of investment proposals taken forward by industry, the supply chain, enterprise agencies and other interested parties. The aim is to secure agreement on priorities and needs. Depending on the results of Stage 1, developers and stakeholders can choose to opt in to Stage 2.

Stage 2: Building a business case



Stage 2 takes forward the findings of the SIM. Groups of developers will work alongside the public sector, ports and other relevant supply chain members to develop a full commercial business proposition around individual investment proposals. Proposals will be taken forward separately on a case-by-case basis

Initial ports & manufacturing focus



In the first instance and as matter of priority, it will maintain a focus on ports and manufacturing infrastructure. Depending on experience of the SIM model, it could then be applied and/or adapted to help address other shared industry issues - e.g. skills.

Note: participation in the SIM does not commit members to investing in certain projects or impose any financial obligation on members beyond annual administrative cost. SIM Ltd will not undertake direct investment in identified projects.

Focus of the Strategic Investment Model

The SIM is coordinating industry action to enable capital to be available in time for infrastructure investments required. This will catalyse supply chain growth and de-risk ScotWind project delivery

The SIM aims to create certainty and agreement between government and offshore wind developers on investment priorities for offshore wind deployment and supply chain growth.

This certainty can build confidence to catalyse earlier investment.

Partners can follow up the work of the SIM to look at routes for securing required infrastructure investment.

The volume of ScotWind and other projects risks creating bottlenecks around Scottish ports and other critical parts of the supply chain.

Coordination means growing infrastructure capacity and supply chain capability to reduce risks, and also creates potential for sharing of infrastructure by offshore wind projects.

Making sure ports and manufacturing investment takes place in time, opens up the opportunity to grow clusters of activity, and capacity for other supply chain investment.

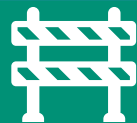
This enhances overall supply chain capacity and reduces programme risk. Increased competition and optionality for projects helps keep costs down.

Greater use of Scottish ports, growth of clusters, and coordinated engagement with the supply chain here in Scotland will mean more economic activity within Scotland *and* export to other markets.

That ensures ScotWind delivers on its ambitions and helps developers deliver Supply Chain Development Statement commitments.



Timely investment



Reduced project risk



Enhanced supply chain



Greater value for Scotland

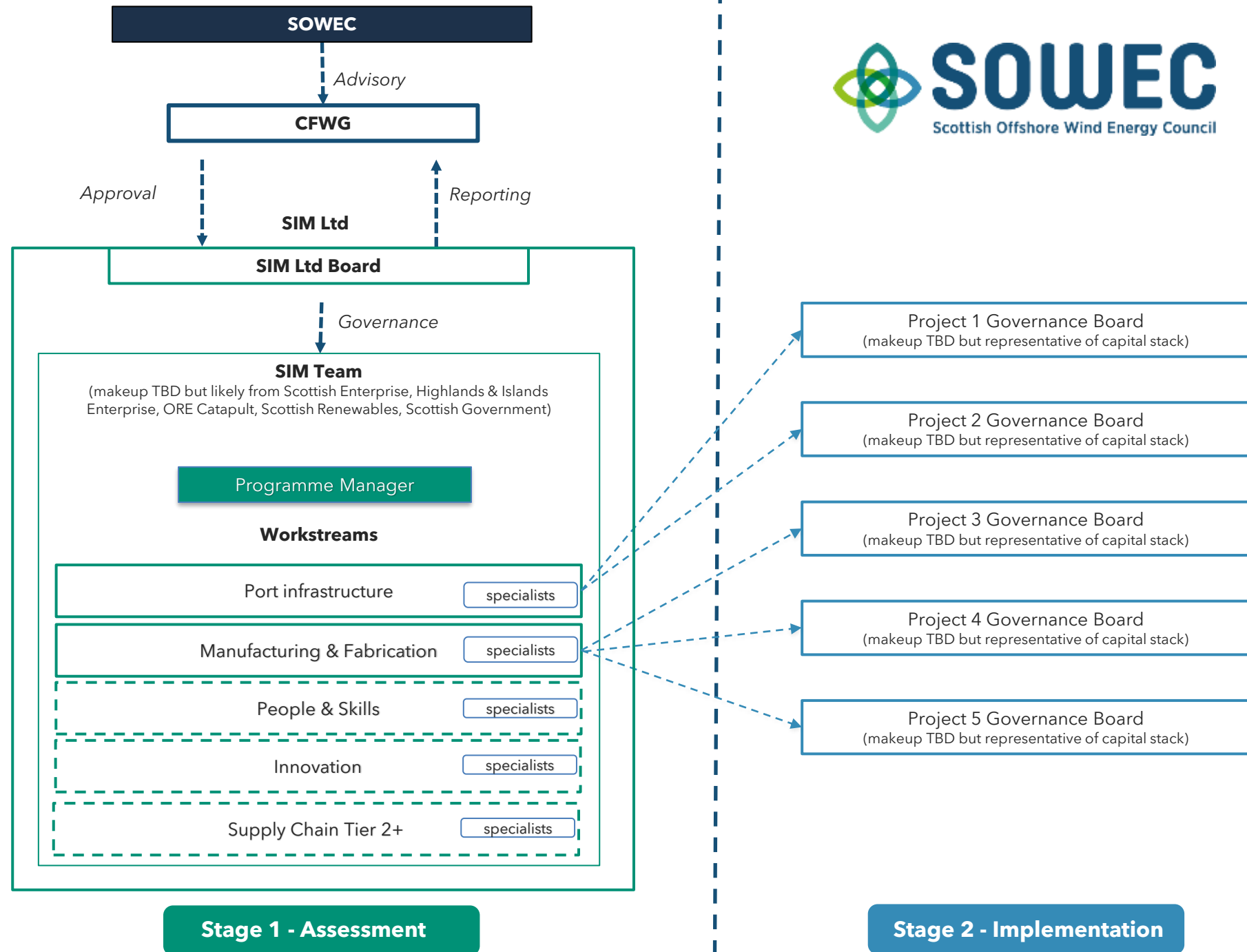
Governance

Structured collaboration requires clear governance and transparency to work for participants. It also needs to comply with competition law and respect project confidentiality.

The governance arrangements for the SIM and subsequent projects have been developed by SOWEC using a partnership approach to ensure sector-wide buy in. Other critical groups such as Scottish ports have been kept informed as the process has developed.

As the Programme Manager develops and coordinates work, further governance arrangements will be developed to cover future stages of work.

The Programme Manager is also expected to play an initial role in setting up of Stage 2 Projects.



Collaboration Timeline



At ScotWind lease award, all successful bidders were invited to join the Collaborative Framework Working Group (CFWG).

A Charter was agreed by May, and since August the Group has been developing the SIM.

By end of 2022, the group has agreed the SIM model ready for agreement by represented organisations

By end of March, all Project Boards agreed to participate in Stage 1 of the SIM, and to co-fund the work of a Programme Manager

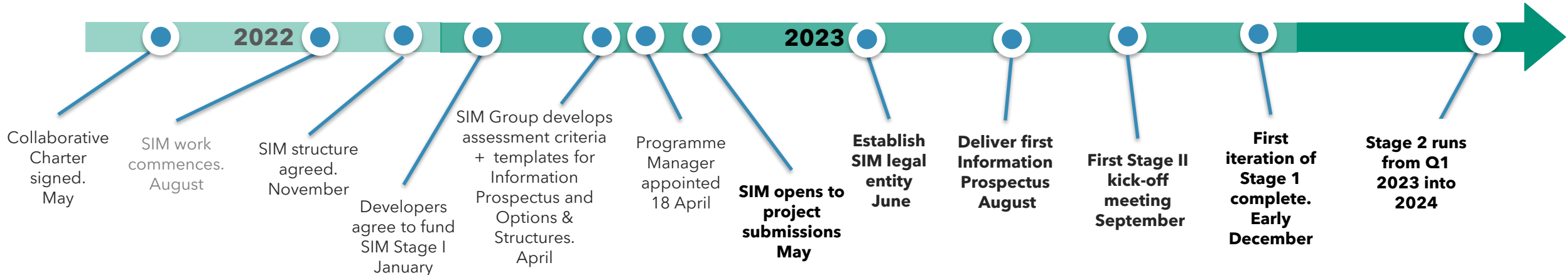
The Programme Manager will coordinate activity to finalise criteria for reviewing project proposals, which will then be discussed and agreed by the SIM Board.

The agreed projects will form a strategic case, through a compiled Information Prospectus, for infrastructure and investment requirements going forward into Stage 2

Projects receiving support and commitment to a level that demonstrates sector confidence will move to Stage 2 for full commercial business case development. The Programme Manager will support at least the set up of this work.

Participating companies will be able to choose to remain in the process, and if so which projects to join.

By Q1 2024, to have projects agreed, for follow up, implementation and ongoing evaluation.



To deliver the 2022 work programme, a number of sector Task and Finish Groups are now active. There is a need to progress a number of areas concurrently to deliver on the SIM timetable and have direct proposals completing Stage 1 by Q3 2022 and moving into Stage 2.



**Many thanks for your
participation**