



Supply Chain Plans in the Offshore Wind Industry in the UK and France

5ème rencontres Windustry France,
Montpellier, 15 Decembre 2016

Margaux Delahaie,
Associates at BVG Associates



Coming up ...

1. What do we mean by Industrial strategy and supply chain plans?
2. Overview of supply chain plans mechanism in the UK
3. Lessons learnt from the UK experience
4. Supply chain plans in France and comparison with the UK
5. Results from French Industrial Plan
6. Time to choose between current industrial plan and supply chain plans

1. What do we mean by Industrial plans and supply chain plans?

From energy policies to project level

- The offshore wind sector is a strategic energy sector often part of a wider national energy strategy.
 - Climate change Act in the UK
 - Loi de transition Energétique (LTE) in France
- Governments are keen to influence the offshore wind sector to deliver the official development goals as well as economic benefits
 - Local jobs
 - Local manufacturing facilities
 - Competitive local supply chain, etc.



Industrial plans required in the Tender process.

Used as an assessment in the tender.



Supply chain plans required prior to the CFD round.

Used as a tool to monitor the supply chain sustainability at project level.



2. Overview of supply chain plans mechanism in the UK

2.1 What supply chain plans look at?

Competition

- One of the competition subcriteria concerns **promoting awareness of business opportunities.**



Example

- Encouraging competitive procurement processes
- Removing barriers to entry for new (inc local) suppliers, etc.

Innovation

- One of the innovation subcriteria concerns **technology development.**



Example

- Innovative or new installation methods
- Procurement and contracting practices, etc.

Skills

- One of the skills subcriteria concerns **investments in training.**



Example

- Assessment of skills requirements
- Engage apprentices, etc.

2. Overview of supply chain plans mechanism in the UK

2.2 How are supply chain plans rated?

Outcome based



- Rating based on the impact of the developers action (and not just the listing of the commitment)
- Does it encourage a broader supply chain?
- Does it include R&D in conjunction with universities?
- Action for which the project will engage apprentices?

Based on evidence



- A commitment is only taken into account if proof is shown
- If the supplier has been involved in meet the buyer events:
 - list of the events
 - location and time of the events
- If the supplier is involved in R&D programmes: is there a document or weblink?

Quantify the impact



- If the supplier has been involved in meet the buyer events:
 - How many companies did they meet?
 - Are any of them now approved suppliers?
- If the supplier has been involved in a new technology or process:
 - Impact on price?
 - Impact on time?

3. Lessons learnt from the UK experience

Clearer supply chain, still room for improvement

Strength

- Supply chain plans encourage a competitive, and innovative industry on the long term
 - Supply chain plans have played an important role in the sustainability of the offshore wind market
- **Driving good industry practices**
- Project developer require supply chain plans from their main subcontractors
- **It gives the government a good understanding of the issues faced by the supply chain (especially local suppliers)**

Weaknesses

- Supply chain plans do not grant high local content
- **How do they reconcile the published guidance with the political pressure for more UK content when they need to reduce the cost of energy?**
- Unclear follow-up after the submission (part of the CFD quarterly milestone?)
- **How to make sure the plans are put into action?**
- Some uncertainty on the way it is marked
- **BVGA has developed a marking tool to assess offshore players SCP**

4. Supply chain plans in UK and comparison with France

Two different approaches

French requirements



- Plan was an integral part of the bidding process
- Prescriptive approach:
 - Will the bidder use new factories and will they be in France?
 - How many jobs will be created in making the main components?
 - How much of the business will be given to French SMEs?
 - What training will take place?
- Rating criteria focuses on the impact of the project only
- New production means are encouraged and are directly linked with French local content

UK requirements



- Plan is a gateway into the auction
- Open approach
 - How is the bidder increasing the competitiveness of the supply chain?
 - How is the bidder innovating and stimulating innovation?
 - How is the bidder ensuring that the right skills are in place?
- Impacts can not only be on the project but also on the supply chain as a whole
- No direct mention is made of UK benefit (but that doesn't mean it's not important)

5. Results from French Industrial Plan

Looking back on the French industrial requirements

3 GW of projects awarded, and?

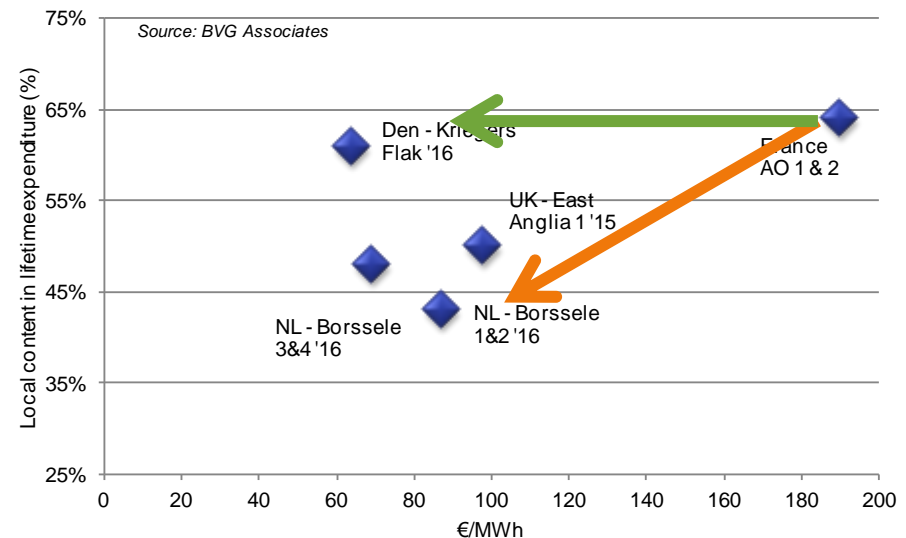
- French supply chain has committed to building manufacturing plants in Saint Nazaire, Cherbourg and Le Havre
- Since then, first projects delayed and no sufficient volume announcement to give visibility to the supply chain

A needed change

- The projects in development do not benefit from the latest innovations and will be far from the standards of the rest of the market once completed
- Building a less competitive industry at the expense of the final consumer (higher LCOE)



→ Today, only one factory is running: for the assembly of Haliade 150



6. Time to choose between Industrial and supply chain plans

Implementation of supply chain plans as part of French offshore wind strategy revival

Supply chain plan aim is to drive the industry to “a better place”.

- The 2 new zones for tender were announced with some simplification measures including a new "competitive dialogue" procedure.
- Supply chain plans are a good way to monitor
 - ✓ Competitive suppliers
 - ✓ Sustainable supply chain
- **Drive greater competitiveness in a sector experiencing tough times**

Support local content

- It's therefore important to monitor the economical benefit for the territory
- For this BVG has developed a methodology specific to Offshore wind to measure the local content
- It allows a close monitoring and comparison between projects and monitor progression
- **Implement a consistent way of measuring local content taking into account the overall supply chain**

A Supply chain plan approach can be successful in delivering French content in the longer term..

Thank you

BVG Associates Ltd
The Blackthorn Centre
Purton Road
Cricklade, Swindon
SN6 6HY UK
tel +44(0)1793 752 308

info@bvgassociates.co.uk
@bvgassociates
www.bvgassociates.co.uk

BVG Associates Ltd
The Boathouse
Siversands
Aberdour, Fife
KY3 0TZ UK
tel +44(0)1383 870 014

This presentation and its content is copyright of BVG Associates Limited - © BVG Associates 2016. All rights are reserved.

Any redistribution or reproduction of part or all of the contents of this presentation in any form is prohibited other than the following:

- You may print or download to a local hard disk extracts for your personal and non-commercial use only.*
- You may copy the content to individual third parties for their personal use, but only if you acknowledge BVG Associates as the source of the material.*

You may not, except with our express written permission, distribute or commercially exploit the content.