

Rationing Offshore Wind in a Post-Subsidy World

Mike Blanch, Global Offshore Wind, 19 June 2018

1. It's the jobs wot won it

- Developers and suppliers feel the political heat to demonstrate a positive impact on the economy, especially jobs.
- This is true of all large industrial sectors but wind attracts increased attention because it is a 'new' and thriving industry and seen as an answer to the flagging fortunes of other sectors.
- Wind has a problem in that major components, such as the turbines and large electrical equipment, are serially manufactured in factories designed to meet the need of large markets.
- It has also needed some form of price support.
- The wind industry has been faced with two major demands: make us cheap electricity and make us jobs. It's not rocket science to suggest that these are rarely compatible.



2. No subsidy = no pressure?

- With the prospect of subsidy-free (or at least cost neutral) wind, can industry sigh with relief: 'If it's not going to cost the government, they can't beat us up over jobs'.
- Not so fast ...
- At a national level, governments have fallen in love with competitive bidding processes, with good reason. They will ration projects and they still have power over developers.
- At a local level suppliers will continue, quite reasonably, to recruit politicians to further their cause and apply pressure on developers and national governments to do more to help them.
- In short, lower subsidies definitely strengthen the industry's hand, but the pressure remains.

3. Still scope for the industry to raise its game

- Despite the involvement of large industrial companies, there is still a strong ethos of an industry that is ethically driven.
- For those of us who work in the industry and are motivated by this, this is great.
- For those who do not and are not, the image of the industry can be of anti-capitalist tree-huggers. Why else would the main opposition to wind farms come from the right-wing media?
- There is also a concern in the UK that we don't have a good record on wind jobs and it's a subject best avoided.
- Perhaps the emphasis on UK content focuses the mind on what we don't get (and can't get).
- The offshore wind sector deal means there is nowhere to hide.



4. The industry has a good story that needs to be told

- Our colleagues in onshore wind have got the message
- BVGA report last week presented the jobs that would be created and the payback to consumers from a series of CfD auctions for onshore wind



5. The supply chain must play its part

- All the offshore wind projects entering next year's offshore wind CfD auction
- A huge proportion (90%) of the money spent on construction is spent by the supply chain.
- Suppliers need to give a coherent picture of their supply chain, the jobs and local content they will create, and where and why
- All offshore wind projects >300MW need to submit a 'satisfactory' supply chain plan to be eligible for a CfD
- Developers already ask for this information in producing their plans. At BVGA, we know that some suppliers are very good at producing good information, but many are not.
- Suppliers need to see supply chain plans as an opportunity to not only sell themselves but to sell their industry

6. Supply chain plans – current criteria

3 areas

Competition

1. Encourage broader supply chains by supporting new entrants
2. Identify and remove barriers to entry for new supply chain companies
3. Share best practice and lessons learned
4. Improve awareness of the commercial opportunities
5. Encourage competitive procurement processes

Skills

1. An assessment of the future skills requirements at each stage of the project
2. An assessment of whether these skills are currently in place
3. Investment in skills and training in order to meet the needs of the project
4. Plans to maintain and develop the skills for the lifetime of the project.
5. Share best practice and lessons learned

Innovation

1. R&D, including links to universities and any examples of testing and demonstration
2. Technological development
3. Innovative procurement or contracting practices
4. Innovative or new installation methods
5. Innovative or new O&M methods

- Format may change but only minor changes so far when there has been opportunity to do much more
- Nothing in these criteria favours existing UK manufacture
- What can you add in these areas?
- Can you deliver some UK content?

6. Supply chain plan future requirements

- Supply chain plan criteria little changed since their inception but ... does not give any direct credit to existing UK manufacture
- Government has considered **most economically advantageous tender (MEAT)** - EU rule that enables the contracting authority to take account of criteria that reflect qualitative, technical and sustainable aspects of the tender submission as well as price when reaching an award decision. This does **not** exclude deciding on lowest price.
- **What about community ownership** - UK tax payers especially those local to the wind farm might like to directly own part of an offshore wind farm
 - Proven UK ownership models
 - Middelgrunden (40MW) 50% community owned, 50% owned by Orsted
 - £300 million share (3% of CAPEX)
 - No need for seat on board and used to taking 100% of onshore wind project risk – Westmill Wind Farm – 10 year celebration last weekend
- **What about environmental foot print** – overall good but what about all that red diesel used in vessels – UK biofuel? What is the overall environmental impact?
- **What about impact on the grid?** - can be quantified

Thank you

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