

50% UK Content

Is that all?

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Market analysis & business development

- **Supply chain development**
- **Economic impact assessment**
- **Support to industrialisation**

Technical innovation & engineering analysis

- **Support to investment in technology**
- **R&D programme management**
- **Design and engineering services**

Project implementation

- **SCADA & condition monitoring**
- **O&M technical support**
- **Small project development**

Our starting point is a joint industry-government statement

- **“the UK [is] to be the centre for offshore wind technology and deployment, with a competitive supply chain in the UK, providing over 50% of the content of offshore wind farm projects”.**
Offshore Wind Developers Forum, February 2012
- **Greater emphasis (belatedly) being placed on the economic benefits to the of offshore wind in the UK**

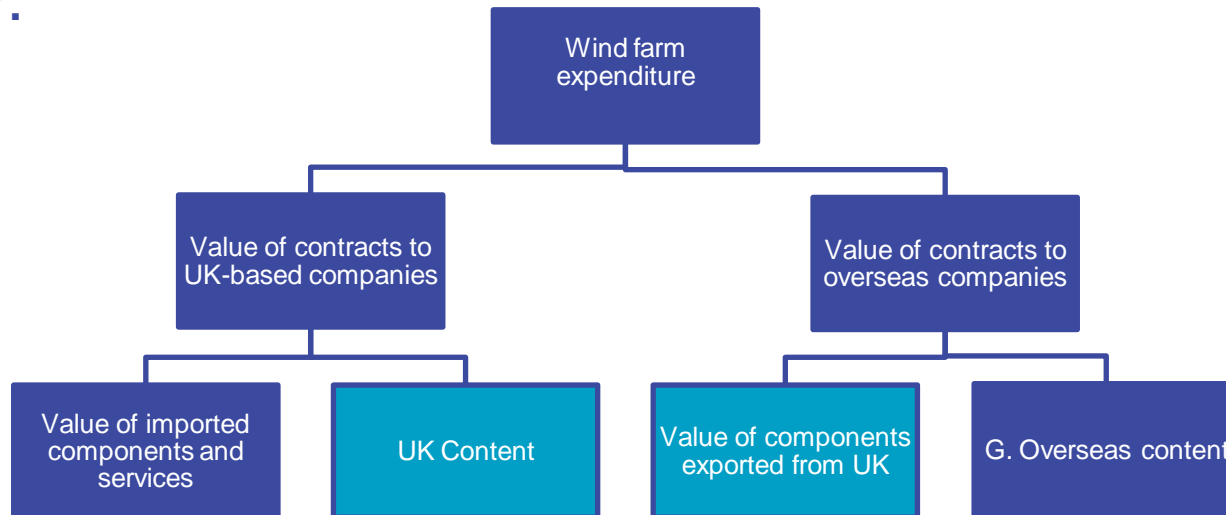
More questions than answers

1. **What is meant by UK content?**
2. **What will be measured?**
3. **Who will measure it?**
4. **How will it be measured?**
5. **Is the level of the ambition appropriate? (Is that all?)**



UK content is not term clearly defined by economists

- **Market share? Jobs? Need to understand how successful UK companies have been in winning business**
- **Need to really pin down how much actually goes to UK companies.**
- **“The percentage of expenditure on wind farm infrastructure that is ultimately spent through contracts awarded to companies operating in the UK.”.**



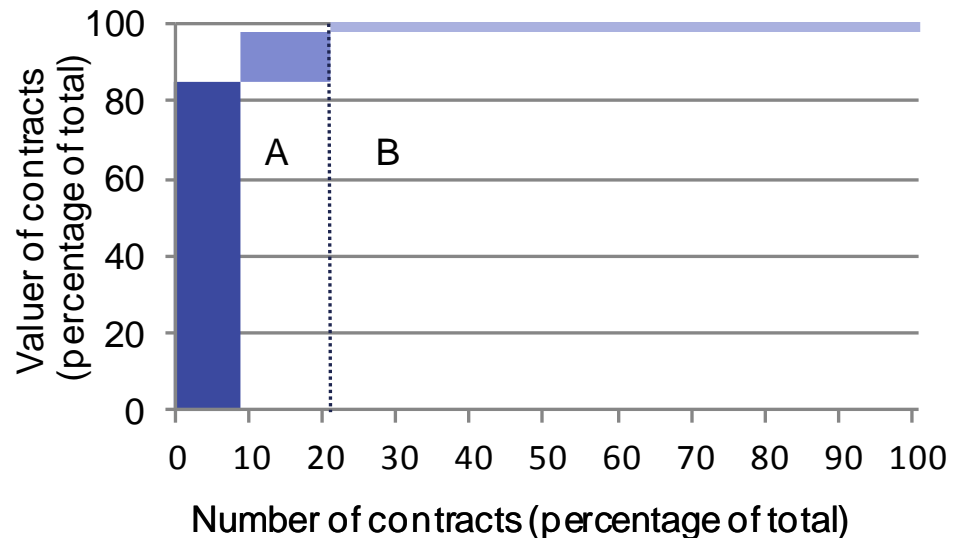
Need to define the scope of what you are measuring

- The cost of owners, to electricity consumers?
- It is the developers (owners of the asset) asking the question.
- Two parts to the asset – transmission and generation – ultimately two owners (including JVs)
- What is a wind farm – a phase, a zone, a transmission link?



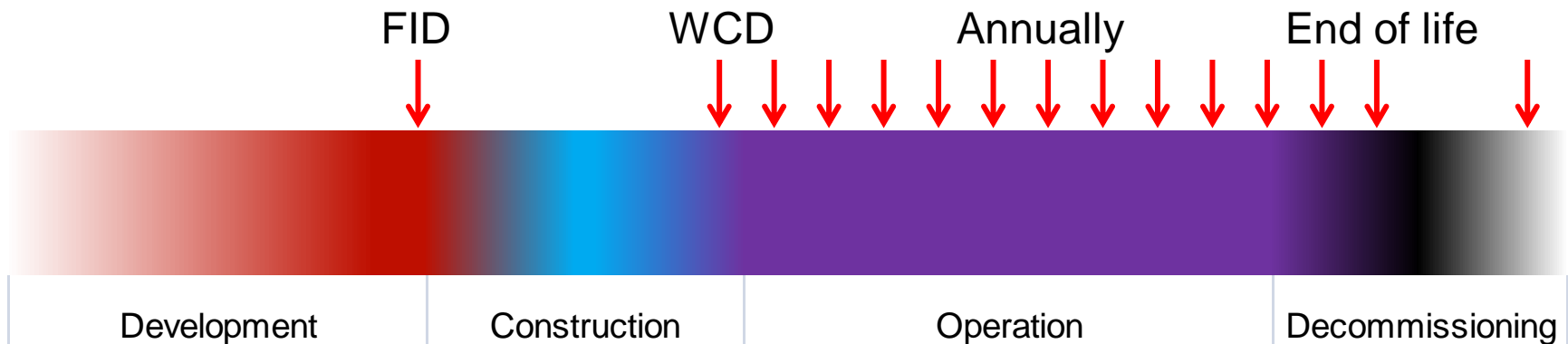
Must be compromises in the quest for accuracy

- 1000s of companies who have added value to the wind farm, directly or indirectly
- Potentially high costs for the supply chain
- Most contracts are small and added value UK content can be easily estimated.
- Unjustifiable burden on small contractors



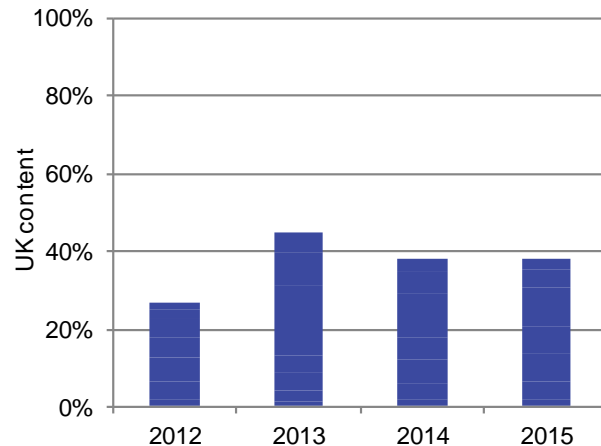
There's not much to be gained by regular analyses

- The expenditure of a wind farm made over 30 years (six years development, two years construction)
- Can't wait until the end before we get the answer
- Will the number change of the wind farm's life by a significant amount?

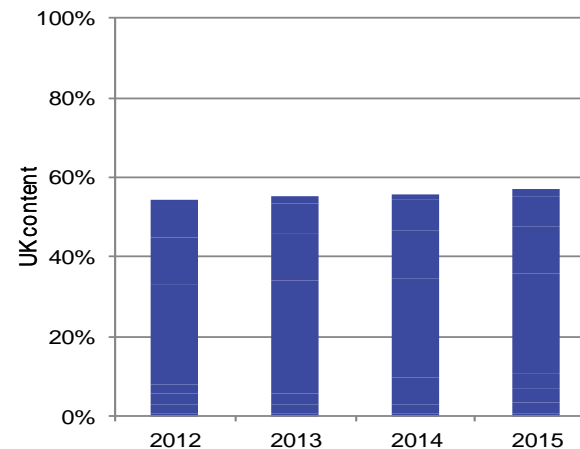


Combining data from different wind farms is hard

- Is a target for the industry as a whole?
- Can you combine data from different wind farms without knowing how much they cost
- Are we interested in finding out how much in a given year was spent in the UK? Or the trends for newly completed wind farms?



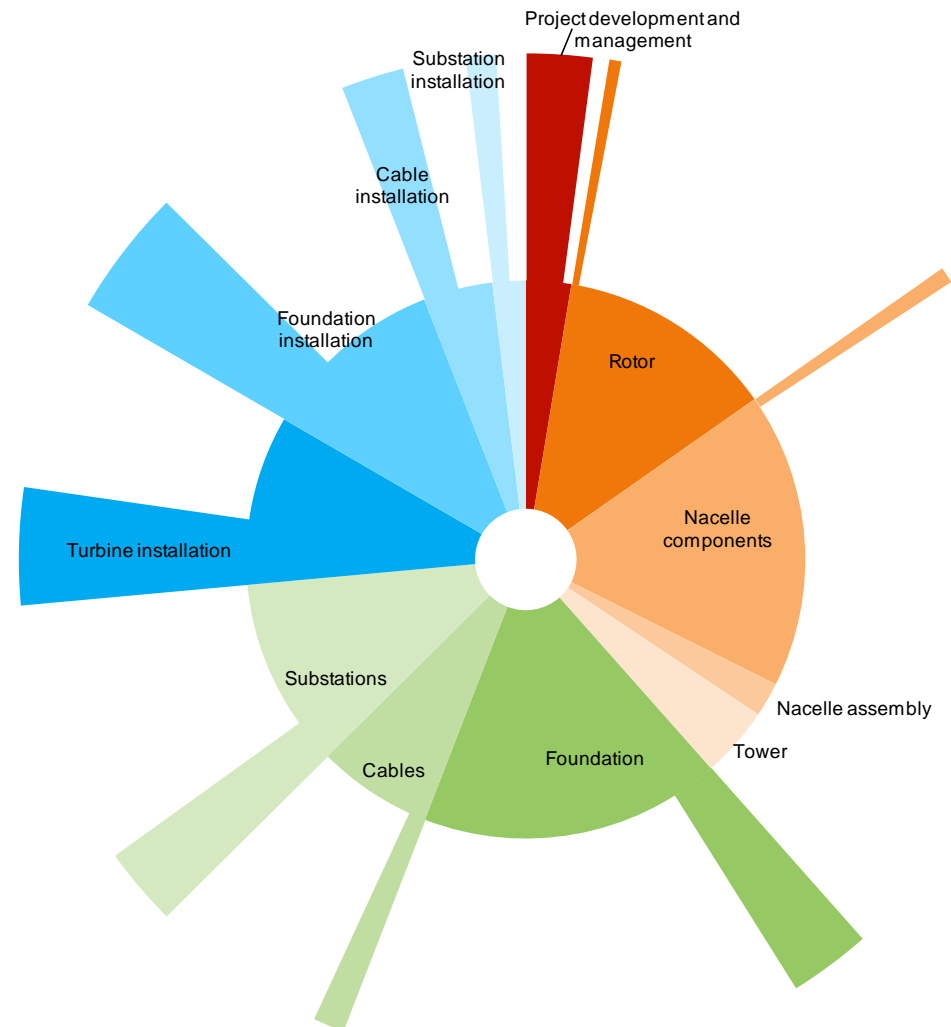
Snapshot



Lifetime

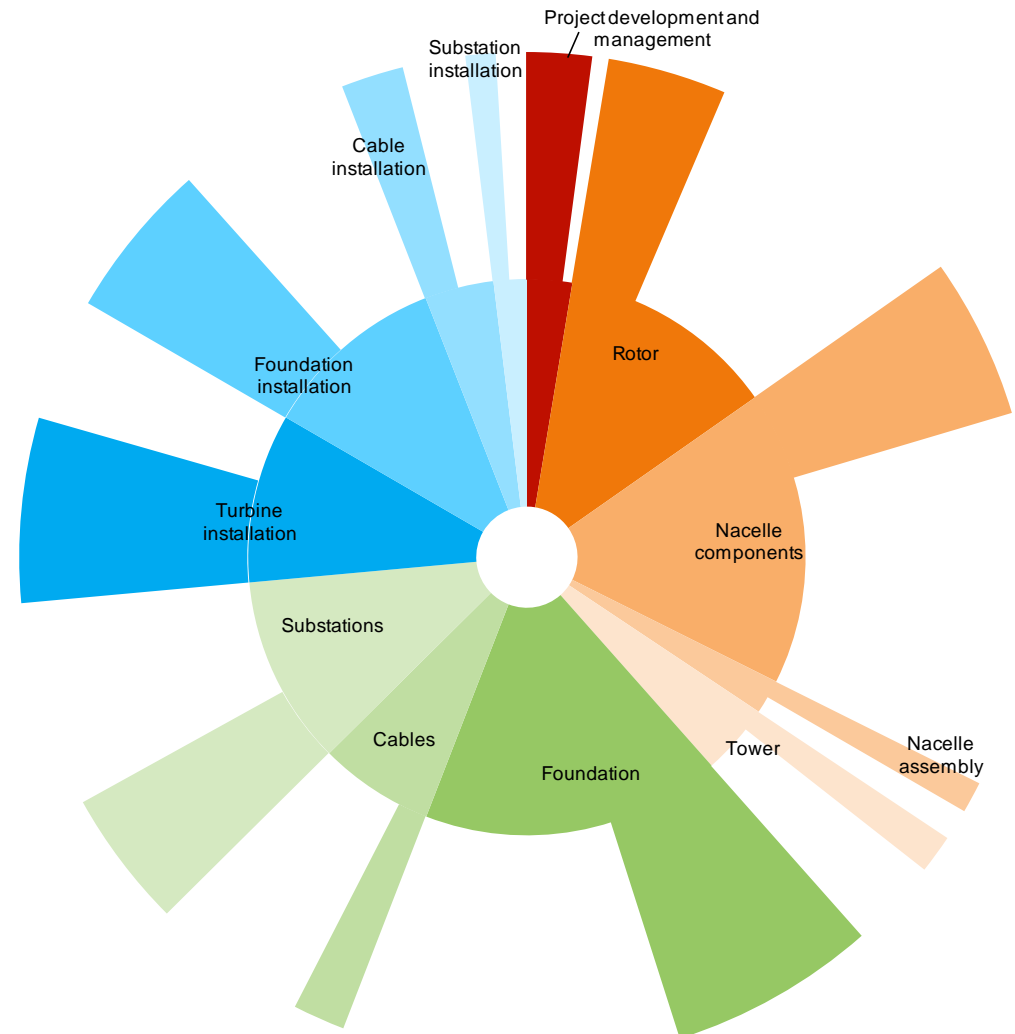
Is that all?

- A target of 50% is only meaningful when you've considered all these points ...
- ... and understand where we are today.
- Let's assume that we've solved all the problems we've discussed earlier and that this is the average for wind farms that started operation in 2012
- UK content here is about 20%



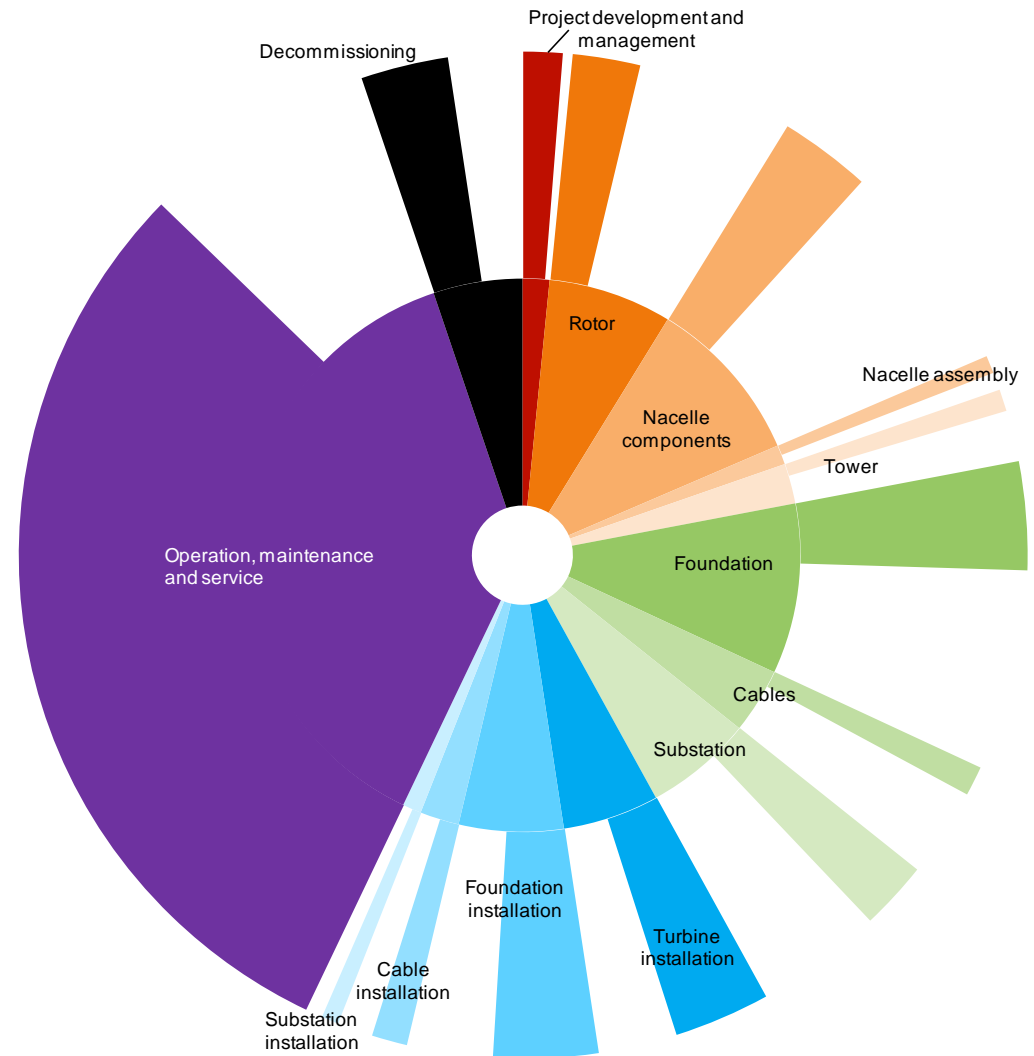
Is that really all?

- How might this change in the next seven years?
- This “projection” assumes:
 - Some turbine assembly in the UK and with it some tower and blade manufacture
 - Significant investment in foundations
 - A stronger market share for UK vessel operators
- Takes us to about 40%



Actually no

- Because we are in a growing market, it's too easy to neglect the long-term benefits
- Lifetime UK content is about 60%



In conclusion

- **In measuring UK content, the devil is in the detail**
- **Will require openness by developers and cooperation by the supply chain**
- **A key area of activity if political support is to be swung round behind offshore wind**
- **The opportunity comes from CAPEX but the message should be lifetime**
- **50% is a high target with you mean CAPEX but a low one if you mean lifetime**