

The Rt Hon Greg Clark MP
Secretary of State
Department for Business, Energy and Industrial Strategy
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20 January 2017

The treatment of wind projects on the Scottish islands

The UK Government is currently seeking views on whether non-mainland onshore wind projects should be considered a separate technology from onshore wind more generally. The non-mainland wind category includes projects on the Scottish Islands of Orkney, Shetland and the Western Isles and the signatories to this letter are involved in the development and supply chain for potential renewable energy projects on these remote islands. We are calling on the UK Government to classify non-mainland wind separately from mainland onshore wind and allow non-mainland wind to compete in the forthcoming Pot 2 auctions taking place during this Parliament. This letter is intended to support the current consultation.

The signatories highlight three considerations about non-mainland, remote island wind projects:

- Firstly, non-mainland wind projects are significantly different to other onshore wind projects, across the key factors that determine how a technology should be classified for the Contracts for Difference (CfD) scheme. These differences mean that non-mainland onshore wind should be classified as a separate technology to onshore wind more generally. The charges for transmission connections are much higher for non-mainland wind projects, being around nine times that of mainland onshore wind and are comparable to the charges for offshore wind. The unique nature of these projects also include challenging development circumstances of remote island locations, with a subsequent higher cost base but also a greater wind resource, which is again more comparable to offshore wind. Taken together, these conditions mirror those encountered on offshore development sites, justifying the need for the Islands projects to be classified as a 'less established technology', falling within Pot 2.
- Secondly, we recognise that delivering value for money is a primary objective of the UK Government energy policy. In line with the UK Government's expectations for cost reduction in the offshore wind industry, non-mainland projects are committed to developing a robust cost-reduction pathway and there is now real potential for cost reduction from these projects. Being closer to completion, developers have a more accurate view of costs and are now benefitting from lower cost of capital than was assumed when the remote island strike price was set at £115/MWh in 2014. We now believe it is increasingly viable that non-mainland projects could be delivered at a lower strike price than initially assumed and we remain committed to developing a cost reduction pathway. There is strong potential for non-mainland wind projects to be delivered at a lower cost than offshore wind projects in a future CfD auction, so non-mainland wind can substitute for a portion of offshore wind at lower cost, delivering a significant benefit to the consumer.
- Thirdly, we recognise the need for our non-mainland projects to be delivered through a significant reliance on the UK supply chain and have already identified a sizable number of

UK based businesses to contract with and supply components to our proposed projects. Crucially, we believe that delivering these projects with substantial reliance on UK businesses will be critical if a domestic and cost-competitive supply chain is to underpin the UK Government's ambition of 10GW of new offshore wind into the 2020s. Non-mainland projects serve as an important bridge between onshore and offshore wind supply chains due to the similarities between non-mainland and offshore wind projects.

Scotland has a long tradition of renewable energy development, with a world-leading skilled workforce capable of building projects at scale. The UK Government has been an active supporter of this and has worked with the industry to create a great Scottish success story. Remote island wind is, we believe, the next stage of the development of this industry. These sites are home to some of the best conditions in the world with high wind speeds and productivity capacity factors over 45% providing value for money to the consumer and enhanced decarbonisation benefits. The resources on the islands are under-used and this is our opportunity to tap into them and bring jobs, low-carbon energy and a sustainable supply chain to remote parts of the UK.

We welcome the UK Government's desire for more information through consultation and urge the UK Government to now take this opportunity to allow non-mainland renewable energy projects to compete in the three forthcoming CfD auctions.

Yours sincerely,

