



Environmental Audit Committee

House of Commons, London SW1A 0AA

020 7219 8890 - eacom@parliament.uk - www.parliament.uk/eacom - @CommonsEAC

Rt Hon Kwasi Kwarteng MP
Minister of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

By email

3 July 2020

Removing the barriers to the development of offshore wind

Dear Kwasi,

My Committee held an evidence session on offshore wind on 4 June as part of our inquiry into technological innovation and climate change. We received 36 pieces of written evidence and held an oral session with representatives from the Offshore Renewable Energy Catapult, Ørsted and RenewableUK. I am writing to raise some of the issues from the session and would be grateful if you could respond in writing.

Fantastic progress has been made in the development of offshore wind as a result of the close working between the Government and the industry through the Sector Deal. There is an opportunity for the UK to become a world leader in this technology and in new technologies such as floating offshore wind. The industry is well placed to play a role in delivering investment to communities up and down the UK as we look to provide economic solutions and opportunities to deal with the effects of the coronavirus pandemic. Yet there are several barriers to progress that were raised in the evidence that we received from the sector.

Evidence suggested that connection to the grid is the biggest single challenge to overcome in order to meet the UK's ambitions for offshore wind. The current approach, where each individual developer is provided with a connection offer (for which they pay fees to National Grid), independent of possible future developments, is no longer fit for purpose and causes unnecessary damage to coastal habitats. Key to overcoming this barrier will be for Ofgem to assess alternative options for grid connection, so we can deploy the levels of offshore wind that we need for net zero and to revitalise our economy but also in a way that is in harmony with people and communities. The industry welcomed the commitment from BEIS to ask Ofgem to assess possible offshore connection structures. Due to the required expansion of the industry, it is urgent that a timely solution is found to this challenge.

Will you ask Ofgem to ensure that its review of offshore connection structures provides an independent recommendation for expanding capacity that focuses on the most efficient long

term use of infrastructure? How will you ensure that any new approach identified in this review can be implemented swiftly?

Spatial planning is also restricting offshore wind developments with siting decisions being made on a case by case basis. The Crown Estate does not ensure that sites provide the best distribution and quantity of wind power required by the nation. A more strategic approach involving marine planning, rather than piecemeal leasing and planning applications, could help protect the most sensitive marine environments and ensure that sites are not refused due to their interference with shipping or aviation radar. This will require BEIS working with DEFRA, the Ministry of Housing, Communities and Local Government, the Department for Transport and the Ministry of Defence. **Can you explain what cross-departmental steps the Government is taking to improve the strategic planning for the siting of offshore wind to ensure we meet our net zero targets in the most strategic and cost efficient way?**

Your Department has recently consulted on changes to the Contracts for Difference regime for the next auction round. Evidence to our Committee supported changes to the regime that would see floating wind being able to compete in a separate pot. We heard that the UK has the potential to be a global leader in floating offshore wind in the UK and in exporting its expertise abroad. While we have a head start on rest of the world, it is critical we seize this opportunity now if we are to maintain that position. **We would like to add our support to a separate definition and administrative strike price for floating wind in the future contracts for difference regime. Will you include such a separate regime for the next round of CfD auctions for floating offshore wind?**

Increasing UK content of the supply chain and developing UK intellectual property could play a role in a green recovery. Currently half of the supply chain utilises content from the UK, with a Sector Deal aspiration of 60%. We heard how the Siemens Gamesa Hull factory provides 1,000 direct jobs at the factory but has also achieved a 10% increase in gross added value, a 60% reduction in employment benefit paid out in the area, and a 13% boost to employment in general across the Hull region. We heard that the 60% supply chain target is very challenging as new entrants clearly see risks, and the barriers to entry are quite expensive, particularly for SMEs. The Offshore Wind Growth Partnership has put forward £100 million (£10m a year over ten years) of industry-funded money to support and develop the UK supply chain. **What level of funding is the Government considering allocating in its next Budget to support the investment made by industry to stimulate a green recovery, and in particular, encourage SMEs to enter the offshore wind supply chain?**

The creation of UK intellectual property which can then be exported will be key to unlocking the export potential for offshore wind. We heard that the Danish Government's framework of support to companies within Denmark to export is the best in class. It has a team that considers different aspects of supporting low-carbon businesses through financial de-risking, co-investment and targeted export support. In 2019, we inquired into UK Export Finance (UKEF) and concluded that support for fossil fuel energy projects was unacceptably high, particularly in low- and middle-income countries. In 2017/18 just 0.6% of UKEF's energy support to low- and middle-income countries in 2017/18 went to renewables. UKEF needs to re-align its mandate to support the transition to net zero emissions and provide support for offshore wind projects as part of a renewable portfolio in these countries. Our witnesses stressed that we cannot solely rely on the

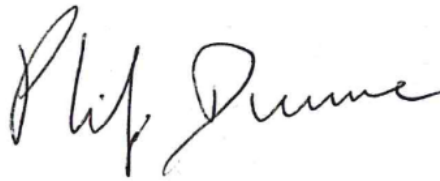
contracts for difference framework to bring forward investment and there should be a greater role for the Department for International Trade to link UK low carbon products and services with the UK's climate diplomacy. **Will you commit to liaising with DIT and the FCO to create a more strategic framework for promoting offshore wind, and other low-carbon products and services with export potential, within our climate diplomacy for COP26?**

Will you also work with UK Export Finance to encourage more export finance to be made available to UK exporters of offshore wind technologies, including floating offshore wind, to help build orders for UK producers?

Finally, we heard that in order to seize future competitive advantage, we will require greater co-investment to develop port infrastructure. We currently do not have sufficient capacity for deep water ports in the UK, which are needed to deal with the much larger turbine blades that are being utilised and ports that are equipped to do quayside assembly. Where we do have large ports such as Green Port Hull, they reach capacity very quickly. France and other European countries that are in the race to develop floating wind are investing significantly in deep water port infrastructure. **Can you explain how the Government is supporting port investment and the co-location of technology clusters to develop competitive advantage for our offshore wind industry?**

I would be grateful for a response by 1 September 2020.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Dunne', written in a cursive style.

Rt Hon Philip Dunne MP
Chairman of the Environmental Audit Committee

CC. Graham Stuart MP, Parliamentary Under Secretary of State (Minister for Exports),
Department for International Trade and Minister for UK Export Finance