

ScotWind Leasing

Seabed leasing for new offshore wind farms

Launch Summary

Introduction

This document contains an overview of the full ScotWind Leasing arrangements for those interested in how we will manage applications for seabed for offshore wind farms. Applicants to ScotWind Leasing will register on an application portal where the full documentation is available.

Launch of ScotWind Leasing

We are delighted to launch the first cycle of ScotWind Leasing. Crown Estate Scotland is committed to helping Scotland achieve its net-zero emissions target by 2045 through our role as manager of Scotland’s seabed.

The primary purpose of ScotWind Leasing is to grant property rights for seabed in Scottish waters for new commercial scale offshore wind project development, in a way that is fair and transparent. In doing so, ScotWind Leasing will provide certainty and clarity for those seeking to lease seabed in Scottish waters, encouraging the low-carbon energy generation needed to meet the world-leading targets committed to in The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.

Leasing explained

A lease provides a developer with the rights required from Crown Estate Scotland to construct and operate an offshore wind farm on the seabed. Other permissions are also required - a lease will only be awarded once all the key consents and permissions have been obtained from the relevant regulatory authorities including Marine Scotland.

The work to collect information and prepare applications for consent can be time-consuming and expensive. A project developer therefore needs to have some confidence that it will be able to obtain a lease before making this investment.

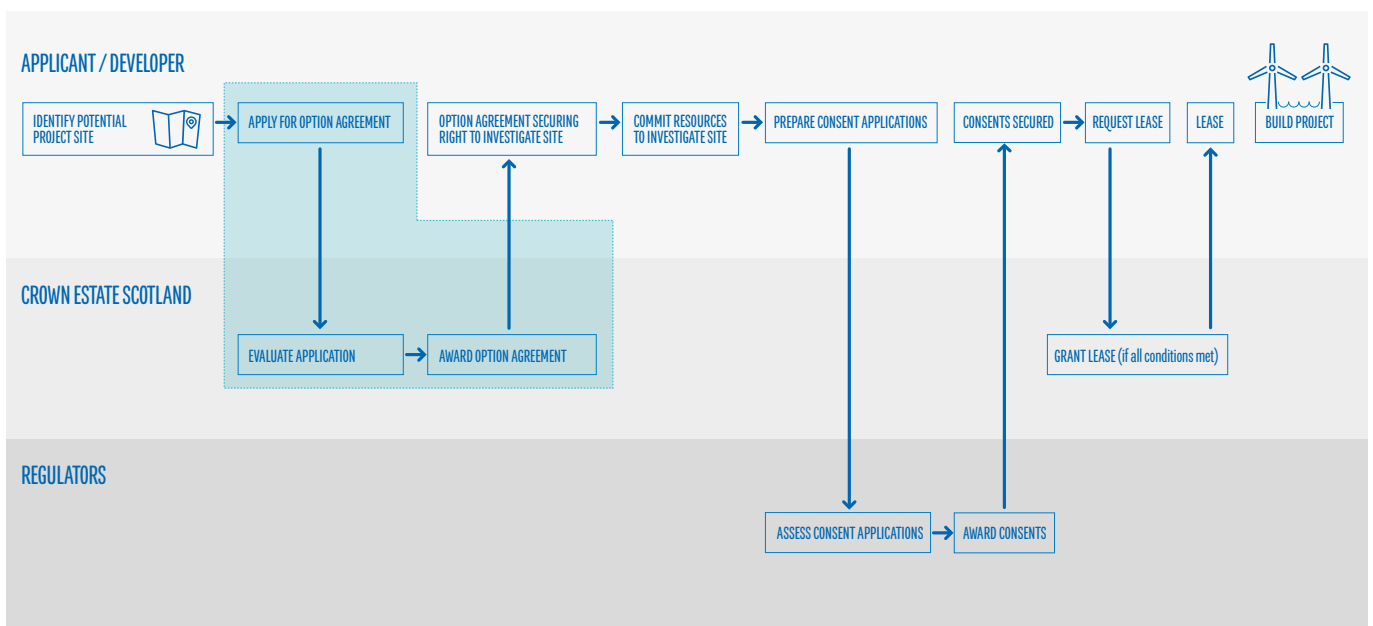
To give that confidence, Crown Estate Scotland may award an Option Agreement to a project developer. This Option Agreement will set out the terms on which Crown Estate Scotland would grant such a lease in the event that the developer succeeds in obtaining all the necessary consents.

ScotWind Leasing is the process by which Crown Estate Scotland will receive and deal with applications for the award of Option Agreements.

ScotWind Leasing includes the following key components:

- Identification of the seabed being offered.
- A way of selecting successful applicants and, if necessary, resolving competing interest.
- The contract terms setting out successful applicants’ use of the seabed.

Leasing in context



Marine Scotland strategic planning

Marine Scotland, part of Scottish Government and the planning authority for Scotland's seas and custodian of the National Marine Plan, leads in the identification of potential areas suitable for commercial scale offshore wind development. Marine Scotland is working to prepare a new Sectoral Marine Plan for Offshore Wind (SMP) and completed a consultation on a draft version of this new plan (the Draft SMP) in March 2020.

In accordance with Scotland's National Marine Plan, applications to Crown Estate Scotland for new offshore wind projects should be sited within the strategic locations identified through the sectoral marine planning process, to ensure that that environmental and stakeholder considerations shape the leasing activity.

Details of the ScotWind Leasing offer

Areas of seabed

The final SMP, once adopted (the "Adopted SMP"), will be published by the Scottish Government following the completion of the draft plan consultation and finalisation process. To ensure a plan-led approach, ScotWind Leasing applications must be sited within the areas identified as potentially suitable for commercial scale offshore wind farms ("Plan Option Areas") by the Adopted SMP. ScotWind Leasing will also reflect other relevant aspects of the Adopted SMP.

For the purposes of the leasing documentation launched today, we set out the arrangements which we will implement if the Draft SMP is adopted in its current form. Once the Adopted SMP is published, we will confirm the final arrangements of ScotWind Leasing in a Post-adoption Addendum.

The Draft SMP notes that:

"limiting the scale of development under the Plan to 10 GW is required to reduce or offset the potential environmental effects of development ... Crown Estate Scotland will need to offer Option Agreements for an area of greater than 2,000 km² to be likely to enable the operational development of up to 10 GW of generating capacity. Making an area of up to 8,600 km² of seabed available for Option Agreements via the first cycle of ScotWind Leasing could, therefore, support the development of projects capable of delivering up to 10 GW of total generating capacity."

Therefore the arrangements for ScotWind Leasing will include two limits on the area of seabed awarded Option Agreements:

- The total area of all Option Agreements awarded in the first cycle of ScotWind Leasing will not exceed 8,600 km².
- The total area of Option Agreements awarded in each separate Plan Option Area in the first cycle of ScotWind Leasing will not exceed the area corresponding to the "realistic maximum development scenario" for that Plan Option Area.

As noted in the extract above, the Draft SMP indicates approximately 2,000 km² of seabed would need to be leased and operationally developed to deliver up to 10 GW of generating capacity, based on its assumption of an average deployment density of 5 MW/km².

Intended project

ScotWind Leasing stipulates that applications must be for offshore wind projects of a scale and nature which is compatible with the Adopted SMP, but we do not have any further specific requirements about the type of offshore wind farm technology which is to be deployed. Crown Estate Scotland is open to allowing the most effective technology for offshore wind energy capture, and for transportation of the captured energy, to be identified during the term of the Option Agreement.

To reflect the Draft SMP applications must have a minimum intended capacity of at least 100 megawatts (MW). Where an intended project is to be constructed in multiple phases, all phases must be at least this minimum required capacity.

An application must have an area defined by a single continuous boundary all of which falls wholly within a Plan Option Area. We require that the area of an individual application does not exceed 860 km². Applicants are free to select the boundary of their application area, provided it is located entirely within a Plan Option Area.

In line with our statutory duty to enhance the value of and income from the Scottish Crown Estate, we wish to ensure an appropriately efficient use of seabed. We therefore require that the intended installed capacity of the fully constructed project for which an Option Agreement is sought must result in a spatial density of at least 1 MW of intended installed capacity per km² of Option Agreement area. Applications which do not meet this requirement will not be accepted.

This minimum intended spatial density of installed capacity per km² of Option Agreement area is low compared to current industry practice. Whilst we are content to offer this level of flexibility, via which an Applicant could request a relatively large Option Agreement area for the size of project they intend to construct, the Option Fee level is scaled by the area of seabed applied for.

Seabed agreement terms

The application will be for an Option Agreement and appended Form of Lease. We have provided an overview of some key agreement and lease terms in the table below (Table 1).

Table 1

Term	Overview
Option Period	Option Period granted is that requested by the Applicant, up to a maximum of 10 years. After expiry of the Option Period, a lease cannot be requested so a project cannot be constructed.
Option Fee	Option Fee payable when entering Option Agreement, with the level set by multiplying the Applicant Valuation selected by the applicant (which is one of the pre-defined levels £2,000 / km ² , £6,000 / km ² or £10,000 / km ²) by the area of seabed covered by the Option Agreement.
Development milestones	There are two milestones in the Option Agreement. Both relate to submission of key project consent documents, which encourage progress to be made. If the milestones defined in the Option Agreement are not met, then a reduction of the Option Period shall result. If the first milestone is not met, and the second milestone is met, then restoration of a previously reduced Option Period shall result.
Intended capacity	The intended capacity of the project will be noted in the Option Agreement and will be a consideration when an Option Notice is served.
Rent	Rent will be payable quarterly based on the offshore wind farm output at a rate of £1.07/MWh indexed to CPI.

Supply Chain Development Statement

The long-term sustainability of offshore wind development will be aided by the development of supply chain capability that is able to support the establishment of successful projects in Scotland, wherever that capability is itself located. The development of supply chain capability depends on investment in skills, infrastructure and facilities. Such investment is best facilitated by there being a clearly visible future market for supply chain capability and growth.

The Supply Chain Development Statement (SCDS) provides a clear and transparent outline of the anticipated supply chain requirements for each proposed project, and the associated assumptions and dependencies. The SCDS will provide the chance for opportunities to be identified and for barriers and risks to the development of supply chain capability to be reduced.

Applicants to ScotWind Leasing will be required to submit a SCDS, setting out the level and geographic breakdown of supply chain impact they anticipate from their intended project. The ScotWind

Leasing process does not impose any requirement on the level or location of supply chain impact that is set out by Applicants in the SCDS. The SCDS information will not be used in the assessment or scoring of applications but will be incorporated into the Option Agreements of successful Applicants.

Developers will have the opportunity to update the SCDS as project development progresses and will be required to confirm the contracted supply chain position (in a Contracted Position Statement) when requesting a lease prior to constructing a project. The extent to which the SCDS commitments have been achieved will be assessed at that point and, if appropriate, contractual remedies will be applied under the Option Agreement.

The Contracted Position Statement and the associated contractual remedies serve two main purposes. Firstly, the possibility of contractual remedies will tend to encourage realistic SCDSs. Additionally, these contractual remedies should motivate developers and their contractors to commit resources and effective activity to ensure that the goals of the SCDS are achieved.

Making an application

Applications will be accepted from individual organisations or groups of organisations working together. Our requirements are quite flexible and allow application teams to be assembled in a number of ways.

Application Form

The Application Form is made up of seven parts (Part A – Part G). Each part relates to a different element of the project and Applicant, which together provide the basis for a robust evaluation and selection of the best applications. The information we require, and areas evaluated in each Part, are listed below:

- **A – Basic information**
- **B – Project concept and density**
- **C – Project Delivery Plan**
- **D – Capability and experience**
- **E – Development budget**
- **F – Financial resources**
- **G – Commitment to the project**

Our evaluation aims to achieve two things. First, determine whether we have sufficient confidence that an application is likely to result in a successful project for us to be willing to offer an Option Agreement. Second, if there is competing interest, to determine which application should be given preferred status and offered an Option Agreement.

Competing interest occurs when two new applications have 5 km or less between the application area boundaries or the areas overlap. It may also occur where limits imposed by the Adopted SMP mean that not all the applications we receive can be accepted. Where there is competing interest, we will not attempt to broker compromise, we will offer an Option Agreement only to the application that has a higher score. We have taken this approach because we do not wish to risk weakening the higher scoring application.

Clearing

Clearing is intended to provide an opportunity within the first cycle of ScotWind Leasing for applications which scored well enough for us to be willing to offer an Option Agreement, but which were out competed for their chosen location, to amend their application and have it considered again. Several conditions must be met before Clearing requests may be made:

- There must be at least one Applicant which is entitled to make a Clearing request.
- At least one Applicant who is in a position to make a clearing request must confirm that it intends to do so.
- There must be scope for further Option Agreements within any restrictions imposed by the Adopted SMP.

If these conditions are met then we will invite requests for Clearing from suitable Applicants.

Process and timescales

Final timescales will be confirmed following publication of the Adopted SMP. An overview of intended timescales is provided in Table 2 below.

Shortly after the Adopted SMP becomes available we will publish the Post-adoption Addendum to ScotWind Leasing. The Post-adoption Addendum will set-out any changes to the leasing arrangements which are needed to reflect the circumstances at the time (for example, the impact of COVID-19), confirm details of the SCDS, and set the Closing Date for applications.

The application window will not close until at least one month after the publication of the Post-adoption Addendum to ScotWind Leasing. We intend to ensure Applicants have enough time to complete submissions, taking into account the scale and nature of any changes between the Draft SMP and Adopted SMP.

Table 2

Activity	Estimated date or duration
<p>Registration Window Registration window will open immediately after launch.</p>	<p>Open: 10 June 2020 Close: 5 August 2020</p>
<p>Publication of Post-adoption Addendum to ScotWind Leasing Following publication of the Adopted SMP, we will be in a position to provide additional clarity on ScotWind Leasing.</p>	<p>Less than one month after Adopted SMP.</p>
<p>Closing Date for applications</p>	<p>At least one month after Post-adoption Addendum to ScotWind. Our provisional view is that the Closing Date for applications may be in the range from October 2020 to early 2021.</p>
<p>Evaluation of applications</p>	<p>Four months from Closing Date.</p>
<p>Offer Option Agreements To conclude the Option Agreement award process, we will publish any information in relation to our intention to award agreements that may aid transparency; run proximity checks for existing seabed agreements and use that information to finalise the Option Agreement with each of the confirmed Applicants.</p>	<p>Start: Within two weeks of evaluation process concluding.</p>

Head Office

6 Bells Brae
Edinburgh
EH4 3BJ
Tel. 0131 260 6070
enquiries@crownestatescotland.com

Glenlivet

Main Street
Tomintoul, Banffshire
AB37 9EX
Tel: 01479 870 070
info@glenlivetestate.co.uk

 [@CrownEstateScot](https://twitter.com/CrownEstateScot)
 www.linkedin.com/company/crown-estate-scotland

www.glenlivetestate.co.uk
www.crownstatescotland.com