



Meeting of the Cross Party Group on Renewable Energy and Energy Efficiency

The Offshore Wind Supply Chain

1900, Tuesday 18 December 2018

The Scottish Parliament

Chair: Claudia Beamish MSP

1. Attendees

A provisional list of attendees is attached to the end of this note. If you attended and are not shown on the list, please email Peter Speirs (pspeirs@scottishrenewables.com).

2. Introduction by Chair and Previous Minutes

Claudia Beamish MSP introduced the meeting by noting that this is a very important topic. In light of the Climate Change Bill and the recent international consensus on the necessity of action on climate change, an emerging and robust offshore wind industry in Scotland that brings more jobs and more affordable energy, while meeting our climate change targets, is necessary.

The Minutes of the previous meeting had been sent round group members in advance and the secretariat received no requests for additions or corrections. No requests for additions or corrections were made at the meeting. The group agreed that the minutes provided an accurate account of both meetings.

3. Isla Robb, Scottish Enterprise

Isla is a specialist at Scottish Enterprise with an interest in supply chains. Isla began her presentation by outlining her and Scottish Enterprise's role in the offshore wind supply chain. In a very competitive marketplace Scottish Enterprise is pleased by the success stories of companies like Wind Hoist and ROVOP. Scottish Enterprise's development of an app and website and utilisation of Global Scots has boosted its presence worldwide.

Isla noted the work that ORE Catapult, local authorities and developers are doing to position Scotland as a global destination for offshore wind, as well as Scottish Enterprise's ongoing commitment to working together with them. The ORE Catapult, for example, is working with 20 companies as part of a pilot support programme for the supply chain. Isla identified the scale of the prize available to Scottish companies if they are able to utilise Scotland's unique potential in oil and gas decommissioning and offshore wind capacity. This can support not just Scottish and UK projects, but those around the world. Isla also singled out the Robotorium, the Energy Technology Partnership and the Power Networks Demonstration Centre as key partners in the future of the offshore wind supply chain.

Isla concluded by saying that ambitious, innovative and proactive companies are the future of the offshore wind sector and that Scottish Enterprise will continue to provide intensive support to the sector in order to maximise the benefits of the industry to Scotland.

4. Alan Duncan, Supply Chain Lead, NnG (NnG Neart na Gaoithe) Coalition

Alan began by saying that he is a poacher turned gamekeeper, as he has gone from working exclusively in the supply chain to working as part of EDF's offshore projects, specifically as part of the NnG Coalition. Alan said that EDF has 33 onshore wind sites providing 700MW of electricity in the UK, with 8GW globally. Offshore wind is a new part of EDF's business and the NnG project will be EDF's first major commercial scale project. NnG was consented with 450MW capacity and a CfD in 2015. It is located in the firth of forth, 15 km from East Neuk of Fife, with a grid connection in East Lothian.

Alan noted that there will be up to 54 turbines in the water, depending on the particular turbine manufacturer chosen, and around 200km of subsea cables and 2 onshore substations required. Onshore construction will start in 2019 and the project will begin generating power in 2022-3. Alan said that the project is keen to encourage as many Scottish supply chain companies to work on this as possible and that they operate an open door policy for Scottish companies. The company works with Scottish Enterprise to ensure all potential companies are aware of the opportunities. With no Tier 1 contractor indigenous to Scotland, the focus is on ensuring that as many Tier 2 contracts as possible are deployed in Scotland and the UK. The NnG coalition is looking to help Scottish companies contract with Tier 1s and has met hundreds of Scottish companies to see how much collaboration is possible. When the project nominates Tier 1s it passes over Scottish companies to them, but they cannot compel the Tier 1 to use these companies. The project will go to the market in first half of next year to 'meet the market' events to meet the community and suppliers at that local level.

Alan described the Sector Deal ambition of 30GW by 2030 as a monumental change for the sector and said that it is important to have clusters in Scotland. There will be clusters in the Moray Firth (Beatrice and Moray East) and the Forth and Tay. These clusters can be invaluable in getting Tier 1s to come to Scotland and contract with Scottish companies.

Alan concluded by saying that the sector is looking to help Scottish companies position for success.

5. Fabrice Leveque, Scottish Renewables

Fabrice started by saying that Scotland's offshore sector is playing catch up with England and Wales, largely due to Scotland's deeper coastal waters. Despite this, 300MW of offshore wind is currently operational, with another 2000MW in construction across Beatrice, Moray East and NnG. Although the rest of the UK has 5000MW, this is because there was early development there. There is now more potential in Scotland. 5000MW is waiting to bid into future schemes in Scotland – if they can secure a CfD these projects will provide more activity for the Scottish supply chain.

Fabrice described the need for a long term view of projects to build the supply chain domestically. Scottish Renewables is looking to build on the momentum of Beatrice, NnG and Moray East.

Fabrice then moved on to the Sector Deal. The Sector Deal sets an ambition to deploy 30GW in the UK by 2030, and 50GW by 2050. This likely requires a doubling of offshore deployment soon required. Offshore wind is a key part of the UK's decarbonisation agenda of UK, as well as the Scottish Government's 50% All Energy by 2030 target.

Fabrice moved on to say that the industry is looking across the UK for potential future sites. Scotland needs to identify new sites for offshore projects. Marine Scotland is leading the current process to identify where new projects can be deployed. Their first plan was published in August and is now being refined by looking at economic constraints (fisheries, tourism etc) and environmental sensitivities. The early results of this process are disappointing from an industry perspective – we have an emerging opportunity for floating that is supported by Marine Scotland in the long run, but we need more fixed bottom projects in the short run. Without this short run support Scottish projects and supply chain opportunities could dry up. Fabrice said that we need projects that can be built using existing technology to boost supply chain now

Fabrice finished by noting the opportunities that the Sector Deal provides. The deal can grow jobs from 11000 today to 25000 by 2030. The current c.45% of supply chain work for offshore projects completed in the UK can grow to x.60%. In export terms, with the UK boasting the most offshore capacity in the world, those conducting auctions all over the world (e.g. Taiwan, USA, Korea, China) are looking to us. Work also needed on grid, with smarter systems and storage a priority, and a focus on STEM skills and education required as well. Fabrice said that he was hopeful that the Sector Deal is signed soon and clarifies what Scotland's governments can do for industry and the supply chain and vice versa.

6. Questions and Answers

A range of questions were directed at the panel; please note that the intention of this meeting note is not to record a verbatim account of the meeting. Questions posed to the panel and answers received included:

Alexander Burnett MSP asked if a Tier 2 can grow into a Tier 1 and why there were no Tier 1s in the UK, and Bill Roger asked what are the obstacles are to getting a Tier 1 in Scotland? Alan Duncan and Isla Robb noted that Scottish Enterprise are very active on this topic and that one major challenge is that these projects are so large that third party finance markets have to be accessed. This means that risk is central to their calculations and established suppliers are relied upon. Scotland has many excellent Tier 2s, but getting them to take on the risk of being Tier 1 is tough and Tier 1s are a different type of company to a Tier 2.

Alexander Burnett MSP asked how Scotland's pipeline compares to other countries. Alan Duncan said that the UK is world-leading in its ambition and that Scotland can get a major benefit from this. Scotland can become the world centre of excellence for floating wind, but we need projects now and that is through fixed base deployments.

Claudia Beamish MSP asked if there is anything specific that SPREEE can do with the Scottish Government on this. Fabrice Leveque suggested making sure the Marine Scotland process develops to support the industry in Scotland. Claudia suggested the group write a letter to the Minister on this topic, which the group agreed to.

Alex Meredith noted the uneven development of offshore wind in Wales and asked about the relative CAPEX and OPEX supply chain benefits of offshore wind. Alan Duncan explained that it takes roughly £2.5 billion to build 500mw. 80-90% of the OPEX stays where the wind farm is, which will bring sustained benefits to Scotland.

7. Conclusion and Next Meeting

Claudia thanked the presenters and those in attendance. The next meeting is scheduled to take place on February 5th 2019.

8. AOB

Claudia noted the diminished attendance compared to past meetings. Peter Speirs suggested that this was partially due to the proximity to Christmas, but that the altered timing of the meetings looked likely to be a factor. Claudia asked if there would be any objection to reverting to the previous earlier start time for meetings and none were noted.

Attendees

Alan Duncan
Alex Burnett MSP

Alex Meredith
Bill Roger
Claudia Beamish MSP
Fabric Leveque
Isla Robb
Jackie Baillie
Niall Stuart
Paul Mosely
Peter Roache
Peter Speirs