

Bord na Móna

DECC Consultation on
Maritime Area Consent Assessment for
Relevant Projects

Consultation Response
18 February 2022



Introduction

Bord na Móna (BnM) welcomes the opportunity to respond to the DECC consultation on Maritime Area Consent Assessment for Relevant Projects. Establishing the policy framework for Offshore Renewable Energy is a key enabler to deliver Ireland's Climate Action Plan¹ target to achieve up to 5 GW of installed offshore wind generation by 2030.

As a developer and operator of renewable energy projects in Ireland, Bord na Móna is cognisant of the importance of a facilitative policy framework to enable projects to progress quickly. We note that the consultation is focused on providing a pathway to ORESS 1 for 'relevant projects', with the auction expected to take place in Q4 2022. These projects are being positioned to obtain a grid connection assessment, and maritime area consent (MAC), which will provide them with some certainty before participating in the auction.

More broadly, the approach to assessing applications for a MAC, and the levy calculation methodology which are being considered in this consultation will set a precedent for the Maritime Area Regulatory Authority (MARA) even if that is not the intention. In that context, consideration should be given to the impact of the decisions DECC will make on future offshore energy projects.

High level points on offshore wind

Establishing an offshore wind industry will enable Ireland to maximise the value of indigenous resources and unlock our potential to be a net energy exporter. To do this we need to:

Indigenous industry

- Recognise the value of experience in the Irish energy industry by incentivising the participation of developers who can demonstrate a success record of engaging with communities, other key stakeholders, and the planning system in Ireland.
- Encourage participation from offshore developers who can demonstrate at least 3 years' experience in development and construction of offshore wind projects to ensure deliverability.
- Grow indigenous expertise by prioritising consortiums comprised of Irish and International companies. Doing this will underpin the development, and retention of sectoral knowledge and skills in the industry.

Competitive market

- Provide Phase 2 projects, which are likely to be delivered at lower cost than ORESS 1 projects, with an equal opportunity to access to grid, state resources e.g. planning authority and a marine area consent.
- Lay the foundations for a competitive offshore sector in Ireland by issuing multiple MACs, resulting in greater competition and ultimately a lower cost to consumers.
- Set levies that take account of the wider financial commitments of project developers and at a level that reflects the nascent nature of the offshore industry in Ireland.

The remainder of this paper sets out our response to the consultation topics.

¹ Climate Action Plan 2021. <https://www.gov.ie/en/publication/6223e-climate-action-plan-2021/>

Maritime Area Consent- Assessment Methodology

BnM welcome confirmation that “the establishment of MARA is of the highest priority for Government”. We believe that the operational date of Q1 2023 is ambitious but achievable with cross departmental support. The accelerated approach for Phase 1 projects is generally accepted as necessary across the industry and is a clear signal to the supply chain that Ireland is serious about offshore wind.

In general, the proposed assessment criteria for a MAC application (technical, financial, ‘fit and proper person’, geographic co-ordinates and alignment with policy) are reasonable and in line with the approach taken in other jurisdictions. The consultation paper also includes proposals for additional information to be provided by applicants, namely stakeholder engagement, public interest, and grid connection. The paper is clear that Phase 1 applications “will not be assessed in these areas..., they may be considered as assessment areas for future rounds of consenting”. BnM note that the “Phase One regime” may be modified for Phase 2 projects and may include an assessment against these criteria.

To ensure fair and equitable access to the seabed the assessment criteria used for Phase 2 projects should be the same as Phase 1. While MARA has the power to set and adjust the application process and assessment criteria once established, they will also assume “responsibility for managing any MACs that have been granted”, subsequent assessment rounds should not disadvantage Phase 2 projects.

The consultation includes five assessment criteria for ‘Relevant Projects’ applying for a MAC. They are:

1. Technical assessment
2. Financial assessment
3. Fit and proper persons assessment
4. Geographic co-ordinates
5. Alignment with ORE policy

Our feedback on the two elements to be assessed on a pass/fail basis, the technical and financial criteria, is below.

Technical assessment

BnM agrees with the proposals for the technical assessment as outlined in the paper and supports the principles for the assessment to be effective, efficient, and transparent.

The proposed threshold of 12 months experience in the development, construction, and operation of offshore wind farm of 100MW+ in the previous 10 years appears to be very short. Given the length of time it takes to develop an offshore wind farm, 12 months seems to be quite a short period of time to qualify as experience. The proposal could allow for a developer who was involved in an offshore project for one year in 2012 to satisfy this criterion. To ensure developers can demonstrate relevant experience we suggest that the period is extended from 12 to 36 months for development and construction. We consider the 12-month criterion appropriate for operation.

The same logic applies to the 10-year experience threshold in renewable energy (onshore and/or offshore) and experience of the Irish planning system. This criterion should incentivise partnerships

with Irish companies which is welcome and should ensure that we foster expertise being developed in Ireland as well as help give best chance for deliverability of the projects before 2030.

The technical assessment also requires an applicant to provide an outline of delivery timelines demonstrating how first generation will be achieved. Assuming all applicants submit project programmes that meet this requirement, it would be useful to understand whether this will be used to compare applications as it is suggested that it may be used in future (Phase 2).

Financial assessment

The financial assessment criteria proposed by DECC are broadly in line with those in other jurisdictions. However, the proposed minimum credit rating criteria set out in the guidance document (Section 2.5) would exclude some of the Irish banks. BnM suggests that this rating be revised to ensure that Irish banks can play a role in the offshore wind sector which will make significant contributions to the Irish economy.

The relevant person assessment proposal for suggests that “where the MAC involves a consortium, each consortium member requires assessment...in proportion to their obligations to deliver the ORE Project”². This ability to allocate obligations between partners is helpful. The financial assessment guidance document, sections 2.7 and 2.8, provides for the ‘relevant person’ to rely upon the resources of a supporting entity to meet the assessment criteria. This should enable JV shareholders to rely upon an ultimate parent company which is welcome and provides for flexibility in a projects structure.

Areas where information will be sought from Relevant Projects, but will not be assessed

Stakeholder information

Information on stakeholder engagement will be provided by ‘relevant projects’ but not assessed as part of the MAC application. It is implied in the paper that this information may be assessed as part of the application process for Phase 2 projects. To ensure fair and equitable access to MACs, the weighting for stakeholder engagement in assessments should be the same for all applicants.

The quality of engagement should also be considered if it is to be assessed. A developer detailing weekly workshops with no attendance could be viewed as poorer engagement than a project that has had quarterly workshops with attendance of 200 people – it is subjective and must be carefully considered when/if it is used in evaluation.

Grid connection

In relation to grid connection for ‘Relevant Projects’, the DECC proposes that “that these applicants for MAC under Phase One are deemed aligned to the development plans of the transmission system operator and this criterion will not be evaluated on a pass/fail basis”. To stimulate the offshore wind market in Ireland quickly, we understand this approach. However, given the scarcity of grid capacity and the need to provide a level playing field for Phase 2, the GCAs provided to Phase 1 projects should expire prior to the application window for Phase 2 MACs and/or ORESS 2 depending on the approach DECC decides to take. It would be reasonable to expect that Phase 2 projects could deliver substantially lower LCOE than Phase 1 projects, given the legacy planning constraints on Phase 1

² DECC MAC consultation document, 2021, pg. 25.

projects. From a consumer perspective, having level playing field for the Phase 2 projects should deliver a lower cost of electricity to consumers.

Additional (non-assessment) areas of the MAC regime

The principle of a development stage levy is well established across the EU offshore industry. The proposed approach based on area occupied by the MAC should be simple to establish but the value and duration of the levy needs further consideration. The offshore wind industry in Ireland is new, but it is a well-established market globally. Offshore wind developers look for opportunities in lots of jurisdictions identifying projects that are financially attractive and deliverable.

The recent ScotWind auction included a development levy £100,000/km² capped at a maximum duration of 10 years. This approach provides clarity for investors on their development levy exposure, de-risking this element of the project. However, the ScotWind auction was the fourth CfD auction in Scottish waters – the industry there is mature.

To establish the industry in Ireland we need to be competitive. The current proposal for the development levy is not capped from a cost or duration perspective. Considering the other development costs being proposed for offshore wind; bid bond, performance bond, grid costs etc., BnM suggests that the rate of the development levy is set at a lower level during the period to 2030 to help the market establish. After that, a higher level could be imposed if it is considered appropriate at that stage. Ultimately the development levy will be reflected in the cost of electricity to the end consumer and should be considered in that regard. In addition, the levy should not apply where a developer's progress is stalled for a reason outside of their control for example a judicial review.

DECC has proposed a MAC duration of 30 years. BnM suggests that the duration should increase to at least 40 years to better reflect the development timelines involved to commercial operation, the design life of modern turbines and inclusion of a decommissioning period which will also require a valid MAC also.

