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Ireland



Phase Two Consultation
International and Offshore Energy Division
Department of Environment, Climate and Communications
29-31 Adelaide Rd, Dublin
D02 X285
By email: (phase2@decc.gov.ie)

9th March 2022

Re: Offshore Wind Phase Two Consultation

Dear Sir/Madam,

Ibec, the group that represents Irish business, welcomes the opportunity to present its views on the design and procedures relating to the second phase of offshore wind delivery in Ireland out to 2030 (Phase 2).

Ibec is the largest business representative organisation in Ireland. We speak for businesses across a range of industrial, commercial, and non-profit sectors. The organisation and its sector associations strive for business conditions that enable sustainable economic growth.

Overview

Climate change is the single greatest challenge facing mankind today. Ireland must urgently transition away from a reliance on fossil fuels and build a more secure and sustainable energy system. This makes sense environmentally and economically. In a world where investment, talent, and consumers increasingly follow environmental integrity, Ireland's long term industrial competitiveness can only be secured by an effective transition to net zero. In this regard, Ibec supports efforts to deliver a net zero economy by 2050, reduce emissions by 51% by 2030 (on 2018 levels) and achieve an 80% renewable electricity share by 2030. How we as country can achieve these goals in the smartest and most cost-effective way needs to be a strategic priority for Government.

Ireland's ability to achieve its emission reduction targets is contingent on the rapid decarbonisation of our electricity network. The 2021 Climate Action Plan (CAP) proposes that the electricity sector could deliver between 62-81% emission reduction on 2018 levels by 2030. This will be immensely challenging given the projected increase in electricity demand, the slow pace at which the maritime area planning regime is developing, and the well-publicised difficulties renewable developers face in bringing projects to completion in Ireland. Ibec notes that high-resolution electricity modelling by the SEAI projects power sector emissions reducing by only 50% by 2030



(relative to 2018)¹ because of a 61-69% increase in demand in the same period. A shortfall like this would place a greater emissions reduction burden on other sectors with fewer emissions reduction options and costlier decarbonisation pathways. Clearly the pathway to 2030 is extremely tight and the onus on the electricity sector to deliver is immense.

Resourcing our ambition

The window for Ireland to meet its climate and renewable targets is closing. Well documented problem in Ireland's planning system means that energy projects can take ten years to bring from planning stage to operation. The resourcing of key agencies remains a chief problem. With current arrangements, a project can take 18-24 months to get planning consent. And the emergence of serial objectors means that even projects with full planning approval and community backing can face lengthy delays in the judicial review process. The solution is a combination of planning reform and the provision of additional resources for key bodies like An Bord Pleanála.

The establishment of the Maritime Area Regulatory Authority (MARA) by Q1 2023 holds great promise to deliver greater efficiencies and speed up project delivery. However historic delays in the relevant departments due to resourcing issues give cause for concern. Delays to the establishment of MARA beyond Q1 2023 must be avoided.

A robust pipeline to 2030 and beyond

Ibec recognises that the focus of this consultation is on Phase 2. However, it is vital that there is a seamless flow of projects from Phase 1 to Phase 2 and the Enduring Regime. A stop-start regime must be avoided as it would undermine investment certainty and slow the delivery of projects needed to reach climate targets. Phase 1 remains critical to the proper functioning of Phase 2 and the Enduring Regime. It is imperative that ORESS1 does not experience any further delays and that certainty is given to the industry to allow adequate supply chains to develop in the market. It will also be the first opportunity to test the new offshore planning regime. The sooner that Phase One projects can be processed, the sooner any problems can be resolved. Phase 2 meanwhile is an opportunity to enable the industry to scale up and lay the foundations for a world leading offshore system.

¹ <https://www.ireland.ie/en/energy/industry/industry-figures>

In addition, considering that it is very likely that planning permission will not be part of the eligibility criteria for the first two offshore wind RESS auctions, strong consideration should be given to the State procuring greater than 5 GW from the first two offshore RESS auctions to allow for almost inevitable project attrition. We need to commission more than 5GW to ensure that we actually achieve 5 GW gigawatts given the well documented challenges that all players face in developing infrastructure in Ireland.

Grid capacity projections

For Ibec, the 5 Gigawatts of offshore targeted in CAP21 and mapped out in the EirGrid's Shaping our Electricity Future (SOEF) document must be seen as a minimum level ambition. Eirgrid's Shaping our Electricity Future Roadmap following a comprehensive public consultation last year is a welcome document. In SOEF, EirGrid presents a view of capacity availability on a geographic basis however Ibec understands that while the current available capacity is limited, different configurations of grid are possible, and that capacity can be made available at nodes differently to that shown Clarity on these other variations, as is anticipated when the SOEF Roadmap is revised later this year, will enable greater participation geographically and lead to more competitive auction outcomes overall. Moreover, as noted in SOEF, the prospect of new technologies and the development of non-grid solutions such as green hydrogen generation and electricity storage could allow for addition capacity and enable a more dynamic use of existing electricity nodes on the island.

Hybrid Connections

One proven way of making optimum and efficient use of available grid capacity is through hybrid connections. The facilitation of hybrid connections is government policy and the Climate Action Plan in 2019 identified hybrids as an important workstream. Hybrid connections facilitate complementary technologies like wind (onshore/offshore) battery storage, thermal plant and interconnectors. Hybrid solutions would also enhance security of supply by providing a steady clean, green supply of energy, while minimising onshore planning and environmental impacts. Such connections could significantly reduce the need to build additional grid capacity and would open up possibilities to go beyond the 5GW offshore ambition.

Ibec fully supports the use of hybrid connections we believe that any hybrid connection policy should be technology neutral enabling a diverse array of connecting technologies. As noted in the consultation document, hybrid projects will need to be fully compatible with the RESS State Aid Decision and more broadly, Irish competition law. However, there are multiple regulatory barriers which prevent hybrid connections. CAP21 includes a programme of work (Action 125) to resolve these issues. This needs to be advanced as a top priority and before MAC allocation in Q1 2023 to prevent any further delays.

A clear timetable for Phase 2 is required

It is critical that Phase 2 projects (targeting 2030 delivery) gain seabed exclusivity through the receipt of a MAC as early as possible. Given this urgency, Ibec recommends the following timetable

- o DECC to establish competitive MAC criteria in advance of MARA (by the end 2022)
- o MARA to administer (through an independent third party) a pre-qualification process (ASAP)
- o MARA to run competitive MAC process in Q1 2023
- o MARA to allocate Phase 2 MACs as soon as practicable following the competitive MAC process

Preferred Option

For Ibec, a Competitive MAC Process as set out under Option B – but with some modifications – offers the optimum process to ensuring a speedy, efficient, and cost-effective delivery of projects under Phase 2. This option is more closely aligned with processes that have operated successfully in other jurisdictions, including the recently concluded Scotwind process. Competitive auctions with appropriately weighted criteria will give greater confidence to developers and lead to better market outcomes. Ibec advises two important modifications to Option B as proposed;

1. The introduction of a pre-qualification process in advance of the competitive MAC process. The purpose of this prequalification process is to manage the number of applications to facilitate better resourcing in the Department and its agencies.
2. A requirement that development permission be mandatory in the eligibility criteria for ORESS 2. The ability to secure development permission is the single biggest risk associated with project delivery. If ORESS contracts are awarded to projects without a valid project consent this could create market uncertainty and uncompetitive outcomes and reduce overall delivery to 2030. In this regard, ORESS2 should only take place once there is a critical mass of consented projects available to compete.

The MAC auction process should be progressed as soon as possible after MARA is established to give the projects sufficient time to carry out site survey work and other development work in advance of the ORESS 2 auction, which will be important to enable higher quality bids.

We have significant concerns in relation to the workability of each of the alternative options.

The deployment security

Ibec sees a potential role for a deployment security in Option B as it could further disincentivise speculative and unrealistic projects. However, given that many of the risk projects face are outside of the developer control, and a security that is too high could drive off good projects and undermine competitiveness in the market. Getting this balance right will be critical. Other options could also be considered, like an appropriate development option fee. If a deployment security is to be part of the framework, it could be drawn down if a project does not submit a planning application. In the case of an unsuccessful planning application, the security could be returned. If planning is successful, the security could be drawn down if a project does not bid into ORESS.

Floating Offshore Projects

To support the timely delivery of renewable offshore capacity, and secure the maximum value for the Irish consumer, the initial 5GW of capacity in Phase 2 should be met by the most competitive bids in ORESS 2 as per the State Aid clearance. However, there is value in allocating additional capacity beyond the 5GW already to floating wind projects to help set Ireland up for achieving the 30GW target by 2050. Floating offshore wind will be delivered in Scotland by 2030. Ireland is, however, at least 2 years behind ScotWind, specifically with respect to MAC allocation and Grid delivery. With the identification of additional grid capacity, additional provision should be allocated for floating projects, on top of the 5GW already planned to secure additional emission reduction, establish vital supply chains, and assist with the transition to the post-2030 Enduring Regime. Any awarding of this capacity needs to be based on a competitive process to ensure cost effective outcomes.

The retention of MACs from Phase 1

Ibec supports the retention of MACs for Phase 1 projects to ensure that any project which did not clear within the ORESS1 auction can continue through the planning consent process. Failure to secure a winning bid within ORESS1 does not necessarily mean that the project is immature or financially unviable, but simply that another project bid lower. Requiring unsuccessful projects to reapply for a MAC would undermine investor confidence, increase the pressure on scarce MARRA resources and decrease the attractiveness of the Irish offshore market. Retention of Phase 1 MACs is therefore eminently sensible in increasing our likelihood of hitting decade-end targets. To ensure a level playing field it is critical that Phase 1 projects should be subject to the same terms and conditions as Phase 2 projects.

The transition to the Enduring Regime

The transition to the Enduring Regime is a fundamental aspect of the overall design and a proportionate approach to the treatment of projects endeavouring to reach COD by 2030 is required. Ibec recognises the difficulties associated with planning for the Enduring Regime when there is a level of uncertainty around project delivery by 2030. However, considering the major investment demanded in the development phase, a project which successfully secures an ORESS contract must have certainty that the MAC will remain in place sufficiently long to enable energisation. If there is a risk that the MAC could be lost in an abrupt transition to the Enduring Regime then it would simply not be possible to successfully finance the project in the first instance. Clearly, there are risks outside the control of the developer such as legal challenges to planning consent which may result in a project not being able to deliver for 2030. This is a very real scenario, and it is only reasonable that a developer should have a time extension beyond 2030 to enable project completion if these circumstances arise. A very clear distinction should be drawn between a developer completing every reasonable measure to ensure that a project is completed by 2030 and one is who is not committing the appropriate level of resources or financial investment to ensure project realisation. In the latter scenario, MARA should be able to terminate the MAC. Considering the foregoing, we propose that the MAC has a default period of 10 years to cover the development phase with opportunity to extend this as appropriate where the developer can demonstrate legitimate reasons for delay. Ibec believes that this proposal addresses both the interests and concerns of the State and the developer.

Yours sincerely,

A blacked-out signature, likely of a representative from Ibec, used to sign the letter.

Senior Executive, Energy and Climate Policy, Ibec