16th February 2024

Iberdrola Renewables Ireland

C/O ScottishPower Renewables

320 St Vincent Street

Glasgow, [redacted]

[redacted]

Dear Sir/Madam,

RE: Draft Offshore Renewable Energy Future Framework – Iberdrola Renewables response

We welcome the opportunity to respond to the above consultation.

Iberdrola Renewables Ireland is part of the Iberdrola Group; a global leader in tackling climate change with over 41GW of renewable capacity already in operation world-wide. We have a proud history of operating on the island of Ireland for over 25 years and now operate six onshore windfarms with a total capacity of around 60MW and have secured planning consent to re-power our Barnesmore windfarm in County Donegal, and Rigged Hill and Corkey windfarms in Northern Ireland. Iberdrola is also leading the way in the development of battery storage technology (BESS) having recently completed the 50MW Gorman BESS in County Meath and is a market leader in the development of green hydrogen – an area we have pioneered, with over 60 projects in eight countries.

Ireland has some of the greatest offshore renewable energy (ORE) in Europe, which is why, under the previous developer-led approach, we joined up with Irish headquartered DP Energy to develop three offshore wind projects on the east, west and south coasts of Ireland with a total capacity of 3GW. We continue to consider how the work undertaken for these sites, together with our strong relationship with DP Energy and Iberdrola's own global experience can be of benefit to the delivery of offshore wind developments to meet Ireland's ambitious deployment targets.

Iberdrola has contributed to and endorses a detailed submission made by Wind Energy Ireland in respect of the Draft ORE Future Framework. Building on those industry-wide positions, our own response focuses on key leasing, planning, grid and route to market issues associated with relevant actions proposed in the Draft ORE Future Framework.

ORE Deployment Ambition

Iberdrola welcomes the Irish Government's re-commitment within the Draft ORE Future Framework to meeting the targets of deploying 20GW of ORE by 2040 and 37GW by 2050, as previously outlined in the Phase 2 Policy Statement. We further welcome the Government's latest announcement at the North Seas Energy Ministerial (November 2023) to procure over 11.5GW additional offshore wind capacity by end-decade, comprised of 2GW of non-grid-limited connected capacity and at least 9.5GW of capacity via the successor scheme to ORESS. This provides a positive signal of intent to support the growth of Ireland's ORE sector and to deploy both fixed-bottom and floating projects at the pace and scale required to underpin Ireland's climate ambitions.

We are however disappointed that, rather than setting out a comprehensive spatial, economic and policy roadmap for how the 20GW by 2040 target will be achieved, the Draft Future Framework merely lists a suite of disparate actions and ongoing workstreams being progressed through the Government's Offshore Wind Delivery Taskforce. This provides no further clarity regarding future leasing (i.e. securing Maritime Area Consent), marine spatial planning, development consent, route to market or grid arrangements to either unlock the planned additional 9.5GW of capacity between 2026 – 2030 or achieve 20GW of deployment by 2040. In addition to deferring each of these crucial policy decisions, the absence of a holistic roadmap to achieve 20GW deployment risks perpetuating key uncertainties experienced in recent years regarding how plan-led site selection, allocation of seabed exclusivity, award of grid capacity, development consenting and securing a viable route to market (i.e. ORESS successor) will be effectively integrated with each other. We had understood that the Future Framework provided a timely opportunity to resolve these uncertainties and would respectfully suggest that the final version needs to set out such a holistic roadmap, including co-ordination between relevant ORE Delivery Taskforce actions, to maintain international investor confidence in the sector.

ORE Sequencing

The renewables supply chain is now operating on a truly global scale, where competition is already high. With other neighbouring markets having already commenced projects to meet their respective deployment targets, Ireland is already in competition with these markets for access to turbines, towers, nacelles, ports, construction sites, and skills. We note that the Draft ORE Future Framework includes separate actions to: establish a future Designated Maritime Area Plans (DMAP) roadmap (action 5), streamline consenting and develop a competitive MAC process (action 6), establish and maintain a schedule for ORE tenders (action 7), develop a successor scheme to ORESS (action 9) and consider anticipatory investment in grid infrastructure (action 12). Taken together, these actions provide a timely opportunity to reset the sequencing of the whole ORE pre-development process in order to minimise deployment risks and boost investor confidence.

Under the current approach for Phase 2 projects, holding the ORESS auction at a very early stage in the project lifecycle means that developers will be building cost models to predict the supply chain needed for a Final Investment Decision to be taken at least 5-6 years in advance, with the supply chain only typically entering formal engagement with developers after planning consent has been granted to ensure their order book is secured. Following the internationally preferred development pathway, we strongly suggest that a more linear rather than concurrent process should instead be adopted after Phase 2 to reduce deployment risks, with procurement or route to market confirmation occurring as close as possible to financial close, rather than many years earlier before planning consent is secured or any contracts are placed. This means that the successor to ORESS should be decoupled from earlier allocation of seabed exclusivity (i.e. through a competitive MAC process) and should only take place after planning consent and grid capacity is secured.

We would recommend that MAC auctions lease identified ORE areas/zones from multiple Designated Maritime Area Plans (DMAPs) at once, so that these projects can then develop from the same starting point and then compete in a route to market auction several years later. Auctioning areas/zones DMAPs individually would likely lead to the earliest projects being

delayed until competitors are ready to prequalify and compete in an auction, which would delay decarbonisation and may also have unintended consequences. For instance, there could be advantages or disadvantages for developers who received their DMAPs first that jeopardise the route to market auction from being a level playing field.

We therefore request that consideration is given to the sequencing of the pre-development process when progressing relevant actions outlined in the Draft ORE Future Framework.

Marine Spatial Planning – Designated Maritime Area Plans

To maintain effective competition, allow for attrition and ensure supply chain confidence in a successor to the ORESS support scheme it will be vital to establish and then maintain a strong pipeline of viable development opportunities by designating the maximum extent of suitable ORE areas which can feasibly be planned for through a rolling programme of regional DMAPs. It is vital that the Government defines a coherent spatial strategy for ORE to achieve Ireland's ambitious deployment targets for 2040 and 2050 in line with the Climate Action Plan. This must include transparent and robust processes, criteria and phasing for the preparation of regional DMAPs within which areas for ORE should be designated, together with details of how and when projects can then be delivered. Without such a strategy being set out on a national basis there is a clear risk that regional DMAPs may suffer from a lack of robustness and fail to deliver sufficient ORE capacity to achieve Ireland's deployment targets in a timely manner.

The publication of the Draft ORE Future Frameworks follows on from extensive consultation on a Draft Offshore Renewable Energy Development Plan 2 (OREDPII) in 2023. Iberdrola was pleased to contribute to the OREDPII consultation through leading Wind Energy Ireland's OREDPII Working Group and through our own response. We recognise that the high volume of consultation responses received raised many complex issues and necessitated significant re-working of the Draft OREDPII. However, we are disappointed that the OREDPII and successor National Spatial Strategy for ORE workstreams have not been (and are not planned to be) completed and that they are not even mentioned within the Draft ORE Future Framework. This omission results in a fundamental lack of clarity regarding the intended methodologies, criteria and timescales by which DMAPs will be developed.

We would therefore urge the Government to accelerate the development of the planned DMAP roadmap (action 5) and ensure that this provides an effective opportunity to comment on proposed methodologies and criteria through which DMAPs will be established, rather than only identifying when different regional DMAPs may be prepared. As a minimum, the DMAP roadmap should define clear processes, selection criteria and phasing to achieve the 2040 deployment target to provide a coherent spatial foundation for post-Phase 2 deployment. This will be essential to avoid a piece-meal and weak approach to marine spatial planning. Building on valuable work and stakeholder engagement already carried out in relation to OREDPII, the DMAP roadmap should also set out general areas where ORE development should be focused up to 2040, including ensuring significantly more than 20GW of potential seabed capacity is identified to account for competition and natural project attrition.

ORESS Successor

The successor scheme for ORESS should be based on a 2-way Contracts for Difference and financed by the Public Service Obligation (PSO) fund, as deployed in Phase 1 and Phase 2.

Given that offshore wind projects tend to be large projects with very high CapEx, we believe that Contracts for Difference type mechanisms are necessary for bringing forward high volumes of capacity. DECC should publish an indicative schedule of future ORESS auctions with the volumes required to procure at least 9.5GW of capacity via the ORESS successor scheme to meet the 11.5GW target by the end of the decade.

Merchant options generally have limited ability to provide the revenue certainty needed for a developer to have sufficient confidence that the high CapEx of building offshore wind will be recovered. CPPAs with long contract periods may provide a relatively high level of revenue certainty, however it is challenging to find buyers who are willing and able to enter lengthy contracts for the high volumes of supply that offshore wind projects provide. Pooling multiple large buyers is normally necessary, and it is administratively challenging to co-ordinate buyers to simultaneously contract under terms that enable large projects to reach FID though only CPPAs in this way. It is therefore vital that the successor to the ORESS scheme is designed in a way that maximises the procurement of offshore wind to help achieve Ireland's capacity commitments.

Given the suggested design parameters for this new scheme includes pre-qualification and qualitative criteria to achieve other policy objectives such as EU ORE manufacturing and supply chain, we would encourage early and open consultation with industry as there are many lessons to be learnt from other nations which we have first-hand experience of. Should DECC consider developing such 'non-price factors', we believe that it is essential that these should be carried out at the MAC leasing stage and not later into the project development, for instance at route to market auctions just ahead of FID. To maximise the impact of any criteria on other policy objectives, developers should make commitments at an early phase of project development.

Enabling Anticipatory Investment in Grid Capacity

From a grid perspective it is self-evident that the planned rapid increase in ORE capacity must be matched by rapid strengthening and expansion of Ireland's electricity grid. This needs to include bolstering and reinforcing existing and developing new grid infrastructure through increased construction of cables, overhead lines, substations and other infrastructure at pace. However, such substantial scale of grid upgrades could take up to 10 years for onshore and up to 15 years for any offshore interconnectors, to meet the vast demand for grid build-out. It is therefore unfortunate that, to date, the ORE sector has not seen any cohesive detailed plans to support this ambition. As stated in the Draft ORE Future Framework, the Government anticipates a role for private wire development and bootstrapping connections, Iberdrola welcomes this potential opportunity for developers to participate and contribute to Ireland's future low carbon infrastructure, but this is presently aspirational and further clarity is needed regarding how it can actually be developed.

Summary

Representatives from our senior leadership team were pleased to meet with Minister Ryan and DECC officials in June 2023 to reaffirm Iberdrola's commitments to developing projects in Ireland and supporting the Irish Government on the essential journey towards decarbonisation of society at pace. Iberdrola will be attending the Wind Europe Annual Event in Bilbao in March 2024 and, notwithstanding our concerns raised above, we look forward to the launch of the

final ORE Future Framework. We will continue to play an active and constructive role in developing a supportive policy environment for ORE deployment and look forward working with DECC to deliver viable and affordable ORE generation capacity at the earliest possible opportunity.

Iberdrola welcomes the opportunity to respond to this consultation and we trust our comments are helpful. We would be pleased to discuss any aspect of our response and would welcome further dialogue on the identified issues.

Yours faithfully

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ScottishPower Renewables on behalf of Iberdrola Renewables Ireland