

Department of the Environment, Climate and Communications
29-31 Adelaide Road
Dublin 2
D02 X285

26 February 2024

By email: FutureFrameworkpublicconsultation@decc.gov.ie

Response to Consultation on Offshore Renewable Energy Future Framework Policy Statement

Dear Sir/Madam,

MaresConnect Limited (**MCL**) welcomes the Department of the Environment, Climate and Communications' (**DECC**) Consultation on Offshore Renewable Energy Future Framework Policy Statement published on 22 January 2024 (the **Consultation**).

MaresConnect is a proposed 750MW electricity interconnector linking the power markets of Ireland (**IE**) and Great Britain (**GB**). MaresConnect is a point-to-point interconnector. Further information on MaresConnect can be found at: www.maresconnect.ie. MaresConnect is scheduled to commence operations by 2030, and is seeking to be regulated in Ireland under the Cap and Floor regime introduced by the CRU for the Greenlink Interconnector project which is currently under construction.

As MaresConnect is currently in development, with construction scheduled to commence in 2027, it is likely to be well advanced before the plan-led ORE framework is in place. Accordingly, we have only responded to the Consultation questions which will directly impact the development phase of MaresConnect.

We set out our response to the relevant points below.

Question 1(a) Has this section adequately identified the general key priorities for ORE delivery in Ireland? Are there additional priorities that should be integrated into the holistic, plan-led approach?

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From a private interconnector developer's perspective, a further priority that could be considered by DECC is stimulation of private capital to finance the delivery of the ambitious targets for ORE and transmission projects. Given the scale of investment required to deliver on the policy objectives, creating a policy and regulatory environment that stimulates and support private investment will be crucial to accelerate the development and delivery of ORE and interconnection in Ireland. This will require engagement with private developers and investors, of both generation and transmission, to ensure the funds are available to meet the very large capital requirements and avoid delays to meeting the ambitious targets set under the framework. In our experience, investors will be attracted to markets where there are clear policy and regulatory signals where there are clear regulatory and planning pathways for delivery of projects.

In developing the framework, and subsequently the regulatory regimes for the delivery of the individual projects, DECC and CRU can consider ways of ensuring an appropriate risk/reward balance between the project developers and the State or consumers where projects are underwritten by consumers.

For example, the CRU has recently introduced the Cap and Floor regulatory regime for electricity interconnectors to support the Greenlink Interconnector, the first privately financed Irish interconnector. This regulatory regime provides certainty as to the revenues which will be earned by the interconnector by providing a floor which is underwritten by consumers. Correspondingly, all revenues above the cap are returned to the consumer.

Greenlink was the first Cap and Floor interconnector to obtain project financing based on the Cap and Floor regime, with financiers lending on the basis of the guaranteed revenues at the floor. A second interconnector, the NeuConnect Interconnector between GB and Germany, subsequently obtained project financing on the basis of the GB Cap and Floor regime and there are a number of subsequent GB interconnectors to Europe seeking to replicate this success to raise project financing on the basis of Cap and Floor regulation.

MaresConnect is intending to replicate the success of the Greenlink Interconnector project by applying for Cap and Floor regulation in Ireland and GB, and to subsequently obtain project financing for the construction phase.

We note that projects which are currently under development should be clearly scoped out of the final framework to ensure that they are not inadvertently delayed as a result of new policy or initiatives. This was managed well under DECC's electricity interconnector policy published in July 2023, which specified a further interconnector between Ireland and GB by 2030 as an urgent and separate commitment to the post 2030 commitment to consider further interconnection.

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Question 1(b) Has each key priority been adequately described and considered all relevant components?

We agree with DECC's approach to consider offshore transmission, including point to point interconnectors, as key components for ORE delivery in Ireland. Given Ireland's unique geographic location in the context of the EU, and its great wind resource, it will be key to meeting the ORE delivery objectives that further interconnection (both point to point and hybrid) is developed at pace alongside ORE to provide a route to market and to address security of supply concerns.

We note that the Afry study accompanying workstream 2 (Interconnection) was based on Ireland meeting its 2014 European Commission 15% interconnection targets. However, given Ireland's unique geographical location and ORE export opportunity, the 2017 European Commission target of 30% interconnection as a percentage of RES capacity should be given greater consideration, which would lead to higher levels of interconnection than even the 20% Stretch Interconnection levels modelled under Scenario 3 (37GW and Stretch Interconnection) and Scenario 4 (50GW and Stretch Interconnection). We have set out further detail in our response to Question 2(a) below. Ultimately, given Ireland's great potential as an ORE exporter, these "targets" might be considered a minimum level to meet EU policy rather than the appropriate target levels for the Irish export scenario.

We welcome Afry's report on interconnection to support workstream 2. We note that MaresConnect was included in the interconnector baseline and we are encouraged to see the call for much greater levels of interconnection in the future. We agree with Afry's findings that:

- Financial returns look more promising for interconnectors to GB than to other markets – (WS2 Quantitative Assessment page 20)
- Scenarios where Ireland builds RES capacity in mind will require significantly higher levels of interconnection and attract higher levels of returns. These opportunities again will be greatest for interconnectors linking Ireland and GB. (WS2 Quantitative Assessment page 20)
- Interconnector imports and exports are more efficient to GB than other markets due to lower losses on connectors and therefore smaller spreads required for the interconnector to be utilised - (WS2 Quantitative Assessment page 15)
- Even in the Domestic Net Zero scenario, interconnection with GB will see balanced imports and exports until 2050. (WS2 Quantitative Assessment page 16) This is in line

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with widely held expectations for Ireland's generation capacity to grow significantly, enabling exports to GB to 2050 and beyond.

- By 2050, Ireland's hourly average prices will have decreased significantly from those seen today and will be consistently lower than GB. (WS2 Quantitative Assessment page 42)
- Interconnection with GB faces lower technical and environmental barriers compared to other markets due to the shorter cable routes. (WS2 Qualitative Assessment Page 11)

Question 2(a) What grid infrastructure should be of particular focus in facilitating the build-out of capacity to support ORE generation targets?

Given the constraints on the electricity grid, it is worth considering the co-location of offshore wind and interconnection entry connection points on the grid, which would reduce the congestion and potential curtailment of the offshore generation coming onto the grid, particularly in times of 'high wind-energy export' scenarios.

Question 4(a) What structures, measures, and interventions can the State and State agencies implement to assist in the development of a long-term, sustainable skills and workforce pipeline? Provide any recommendations on what the State can do to promote careers in ORE across a range of educational backgrounds and movement from other relevant sectors.

Given the strategic importance of this sector in achieving national energy and climate objectives, coupled with the envisaged investment of many tens of billions of euros in infrastructure both onshore and offshore, it is paramount that the framework for facilitating this development is both robust and efficient.

To assist in the development of this essential workforce pipeline, the State and its agencies should implement structured measures and interventions aimed at addressing the current and future skills needs of the ORE sector. This entails a multifaceted approach:

Educational and Training Programmes: Develop and promote targeted educational and training programmes across a range of levels and disciplines relevant to ORE. These programmes should be designed to cater to various educational backgrounds and provide pathways for individuals from other relevant sectors to transition into ORE roles.

Industry Partnerships: Foster strong partnerships between government, educational institutions, and the ORE industry to ensure that training programmes are aligned with the

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evolving needs of the sector. This includes apprenticeships, internships, and continuous professional development opportunities.

Career Promotion and Awareness: Implement comprehensive campaigns to raise awareness of the career opportunities within the ORE sector, highlighting the diversity of roles and the potential for innovation and growth. These campaigns should target schools, universities, and the wider public to attract a broad range of talent.

Innovative Project Structures and Private Capital Participation: Encourage and be open to innovative project structures from both quasi-governmental entities and privately financed projects. The State should be particularly proactive in facilitating the entry of private capital and innovative developers into the ORE sector. While the government may consider the ORE framework to be plan-led, the execution of this plan should be open and encourage participation from private entities, leveraging their agility and innovative capabilities to drive the sector forward and limit investment from the public purse.

Staffing and Resourcing of Government Departments: It is crucial that government departments involved in reviewing, analysing, and approving both the economic and permitting aspects of ORE projects are appropriately staffed. This involves not only ensuring sufficient numbers of staff commensurate with the size of the projects but also that they are appropriately qualified and possess or can acquire the specific knowledge required to evaluate ORE projects effectively. Given the scale of investment and the technical complexity of ORE, staff must be equipped to deal with innovative structures and the unique challenges of the sector.

Timely and Efficient Process Management: The State must act rapidly to developers' and Transmission System Operators' (TSOs) requests to construct infrastructure to realise ORE. This may require a comprehensive review of existing permitting procedures with a view to accelerating the permitting process, ensuring that it facilitates rather than impedes the rapid deployment of ORE infrastructure.

Continuous Learning and Adaptation: There should be an emphasis on continuous learning and adaptation within government departments and agencies to keep pace with technological advancements and best practices in ORE project development and management.

By implementing these measures, the State and its agencies can significantly contribute to the development of a skilled and sustainable workforce for the ORE sector, thereby ensuring that the substantial investments in infrastructure are supported by the necessary human capital. This approach will not only facilitate the achievement of ORE development

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targets but also promote economic growth and environmental sustainability in the long term, ensuring a swift and inclusive process that welcomes innovation and private investment.

Question 4(b) Are you aware of initiatives in other jurisdictions or at a European level that would be relevant to Ireland's ambition of building a sustainable skills and workforce pipeline for offshore wind?

The initiatives set out in the Consultation are broadly consistent with the Ministers declaration at the 2023 North Seas Summit in Ostend and the Offshore Renewable Industry Declaration. It is worth reiterating a point of particular importance in that declaration which calls for government support in developing the skills base necessary for the expansion of offshore wind, highlighting a current shortage of qualified personnel. The workforce in the offshore wind sector needs to significantly grow to meet future demands, with a call for policy steps that ensure the financial viability of the industry, making it more attractive to potential entrants. This is discussed further in our answer to Question 4(a).

Please do not hesitate to get in touch should you wish to discuss any aspect of this response.

Yours sincerely,

[Redacted signature]

[Redacted name]

Mares Connect Limited

[Redacted address]