



REPORT TO: WEALTHIER & FAIRER STRATEGIC GROUP 14 OCTOBER 2010

SUBJECT: OFFSHORE WIND ENERGY DEVELOPMENT

BY: MORAY COUNCIL PLANNING & DEVELOPMENT MANAGER

1. REASON FOR REPORT

- 1.1** To advise Members on the proposed offshore windfarm development in the Moray Firth, and the economic opportunities this may present for the Moray economy.

2. RECOMMENDATION

- 2.1** It is recommended that the Wealthier and Fairer Group:

- considers the content of this report;
- supports that further research is carried out with key agencies, and the offshore wind energy industry; and,
- notes that a further report will be submitted at a future date advising of subsequent work undertaken.

3. BACKGROUND

National Development

- 3.1** The Scottish Government has committed to generating 20% of all energy, and 80% of electricity from renewable sources by 2020. This requires that the current capacity of nearly 4 Gigawatts (GW) is doubled to 8GW. Scotland has an estimated 25% of Europe's offshore wind potential, therefore, offshore wind energy development has a key role to play in delivering a large share of renewable energy generation in Scotland. This represents a significant opportunity for sustainable economic growth in Scotland.
- 3.2** To develop Scotland's renewable energy potential as a major driver of economic development, two significant documents have been produced over the course of this year:
- The Offshore Wind Energy Route Map; and,
 - The Draft Plan for Offshore Wind Energy in Scottish Territorial Waters.

The Offshore Wind Energy Route Map has been produced by the Offshore Wind Energy Group (OWIG). OWIG were established in 2009 and are co-

chaired by the Scottish Government and Industry. The Group brings together all offshore wind developers active in Scotland, grid companies, manufacturing firms, academia, other relevant parties and key public sector bodies to assess what needs to be done to ensure Scotland benefits from large scale offshore wind energy development. Highlands and Islands Enterprise (HIE) are represented on this group. The Route Map, published on 27th September 2010, sets out the opportunities, challenges and priority recommendations which need immediate action to achieve the best case scenario set out in the recent report, *Scottish Offshore Wind: Creating an Industry*, commissioned by Scottish Renewables and Scottish Enterprise.

- 3.3 The aforementioned report set out 4 alternative future scenarios for the Scottish offshore wind energy industry. The best case scenario found that with a high level of offshore wind project development and a strong supply chain, Scotland could retain over £7.1bn investment over the decade to 2020 with the generation of over 28,000 full-time equivalent jobs directly and a further £6bn of value added to the Scottish economy through indirect and induced effects. Alternatively, the worst case scenario, where Scotland fails to take advantage of the offshore wind energy industry, found that the cumulative value generated in Scotland over the decade would be £224m, with indirect and induced effects worth around £200m, creating around 900 full-time equivalent jobs directly in the industry with an additional 730 indirect jobs. To achieve the best case scenario for Scotland, concerted government and industry effort is required to put essential infrastructure, skills and capability in place. The Route Map sets out the key areas that each party of OWIG must develop to take forward this joint effort to maximise Scotland's economic potential. The OWIG's priority recommendations for each organisation are set out in Appendix 1. A fundamental review of progress of the recommendations will be taken by the end of 2012.
- 3.4 *The Draft Plan for Offshore Wind Energy in Scottish Territorial Waters*, produced by the Scottish Government, has recently completed a 12-week consultation. A total of 40 proposed locations for the short (10) and medium term (30) have been set out. A map of these locations is shown in Appendix 2. Longer term options (beyond 2030) will give further consideration to those short and medium term proposals not implemented. The 10 short-term proposals, to be developed between 2010 and 2020, have a combined capacity of 6.4GW, and are primarily where the Crown Estate has committed to granting offshore wind energy companies commercial leases. One of these short term proposals is located within the Moray Firth.
- 3.5 In addition to the ongoing work associated with implementing the recommendations within these documents, a number of key events have taken place to highlight the role that Scotland can play in offshore energy development. The Offshore Wind Operations and Maintenance event, hosted by Scottish Enterprise in partnership with HIE, took place on 23rd September 2010, to bring together key players. This complemented the Scottish Low Carbon Investment Conference that took place a week later. Similar further events for offshore wind energy are planned for Aberdeen and Inverness, early next year.

Local Development

- 3.6 As set out in the Draft Plan for Offshore Wind Energy in Scottish Territorial Waters, around 400 offshore wind turbines are proposed for the Moray Firth, with prospects of further development in the future. The consortium Moray Offshore Renewables Ltd (MORL) are planning up to 200 wind turbines in the eastern part of their site, approximately 13.5 miles off the Caithness coast. The second phase in their western sector, is likely to be of a smaller scale. The consortium Beatrice Offshore Windfarm Ltd (BOWL) are planning a separate development of 184 turbines on an adjacent site to MORL, but within the 12 mile territorial water boundary. This windfarm was licensed under an earlier regime and is about 6 months ahead of MORL in their preparations. The proposed windfarms will be located near the Beatrice oilfield, where there are already two experimental turbines. Each turbine will be connected through a cabling network to substation platforms and thus through a main cable to shore possibly at Portgordon. The consortiums recently carried out a joint public consultation exercise around the Moray Firth, with an anticipated subsequent event in Buckie. Extensive data gathering is currently being conducted ahead of planning consents which MORL anticipate submitting in early 2013. An application for the windfarm would be dealt with by the Scottish Ministers, under section 36 of the Electricity Act 1989, on which the planning authority would be a consultee.
- 3.7 At the local level, HIE are engaged in an assessment of the construction/servicing and employment potential from the proposed Moray Firth offshore windfarm. They have also produced a report on the use of harbours in the Moray Firth. HIE will be identifying a strategic approach to infrastructure and site and location requirements for the wider Moray Firth area for the proposed windfarm, and will take into consideration wave power generation in the Pentland Firth as well. HIE currently chair two working groups: a transmissions working group, primarily focused on grid connectivity, and a wave and tidal working group. Discussions are taking place as to whether to expand the remit of the transmissions group to include other elements associated with offshore windfarm development or set-up a separate group to deal solely with this matter akin to the wave and tidal working group.

4. THE WAY FORWARD

- 4.1 The expansion of the offshore renewable energy sector, particularly windfarm development in the Moray Firth, and Moray's location in relation to this, creates a significant economic opportunity for the sustainable development of the area. The following opportunities exist within Moray that could be capitalised on to maximise economic gain:
- *Development of manufacturing and servicing facilities.* There is an existing manufacturing and servicing activity at Buckie Harbour, which could be expanded on to service offshore windfarms. The 2 experimental turbines located near the Beatrice oilfield are currently serviced by vessels using Buckie Harbour. Buckie Shipyard Ltd and South Boats Special Projects

Ltd have also been commissioned by Turbine Transfers Ltd to build catamarans to service offshore windfarms. Buckie Shipyard Ltd has created a dedicated fabrication shop for these vessels and the location of the yard makes it well-placed to become further involved in the renewables sector. The commissioning of these service vessels will create 16 skilled jobs in total, with 8 trainees having been employed during the course of 2010. Whilst there are opportunities for this type of work in Buckie, the whole of Moray could benefit through the provision of complementary facilities and services and this should be explored.

- *The capitalisation of skills development within Moray.* Banff and Buchan College is understood to be providing training for engineering skills which could help with offshore windfarms. These opportunities should be explored with Moray College. In addition, there is a wide range of skills already within Moray for offshore oil work and there are examples of former RAF personnel having skills that could be used for support services.
- *Research and development.* In addition to the direct servicing of windfarms and complementary facilities and services, there could be opportunities for research and development or associated service work.

4.2 It is imperative that Moray takes a proactive approach to create and develop opportunities for economic development associated with the offshore wind energy sector. In this respect, the area needs to raise its profile as a location and the facilities it can provide at both a national and local scale. This will primarily rely on the Council actively working with other partners, such as HIE and the development industry, to build on these opportunities as far as possible.

5 SUMMARY OF IMPLICATIONS

(a) **Single Outcome Agreement/Service Improvement Plan**

The report contributes to the Single Outcome Agreement of the Community Planning Partnership with the Scottish Government in respect of the outcomes allocated to the Wealthier and Fairer Group and the stated priorities of the Council's SIP for 2008-11 in relation to the economy and jobs. The recommended actions will help to achieve the Corporate Plan objective to support and develop local businesses, and create an environment for sustainable growth.

(b) **Policy and Legal**

There are no legal or policy implications arising from this report.

(c) **Resources (Financial, Risks, Staffing and Property)**

Work related to the actions recommended will be carried out within the work programmes of existing staff from Development Services. There are no financial implications associated with this report.

(d) Consultations

Lorraine Paisey (Principal Accountant) and Aileen Scott (Principal Solicitor), have been consulted and are in agreement with the content of this report.

6 CONCLUSION

- 6.1 The offshore wind energy sector will play a pivotal role in Scotland's sustainable economic growth over the years to come. Moray's location and facilities are well-placed to take full advantage of the associated economic development potential. The area also harbours a skilled workforce associated with the offshore industry. It is imperative that Moray raises its profile as a location and looks to develop new and existing businesses as well as key skills within the area to attract both direct and indirect industries associated with the offshore renewables sector to the area. A significant amount of work is being undertaken at both the national and local scale, and the Council should play a key role in working with other agencies, such as HIE and the offshore energy industry, to help identify and develop information and potential opportunities for the whole of the area.

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Background Papers:

Appendix 1: OWIG Route Map - Priority Recommendations

- **Scottish Enterprise and Highland & Islands Enterprise:** to focus efforts on delivery of investment in the key clusters identified in the National Renewables Infrastructure Plan (N-RIP).
- **Scottish Enterprise and Highlands & Islands Enterprise:** will build on the port cluster approach, support Scotland's supply chain and continue to market their locations domestically and internationally.
- **Scottish Development International:** to bring inward investors to Scotland to swiftly fill key gaps in the supply chain and develop new technologies.
- **OFGEM:** to explore and propose alternative solutions to the existing Transmission Network Use of System charging regime, in order to find solutions which have the potential to encourage offshore wind developments.
- **OFGEM, National Grid and Department for Environment & Climate Change:** to provide offshore wind developers with assurances that works being undertaken by the Offshore Transmissions Owners are aligned to the needs, requirements and timelines of the offshore developers.
- **The Scottish Government (Marine Scotland):** to finalise the Strategic Environmental Assessment and take forward the Appropriate Assessment for offshore wind in Scottish Territorial Waters quickly and accurately.
- **The Scottish Government (Marine Scotland and Energy Consents & Deployment Unit):** to retain strengths of current consents system, crucially ensuring a 9 month determination where there is no PLI for offshore wind developments (subject to pre-application in advance of submission), resulting from good cooperation between industry and stakeholders particularly on conflicting issues.
- Establish a demand-led approach to identify the skills articulated by employers with funding through **Skills Development Scotland** and the **Scottish Funding Council** targeting support for the college and university sectors.
- **Skills Development Scotland:** to work with partners to create an Energy Skills Investment Fund to support the upskilling of the existing workforce and re-skilling of people entering the industry.
- **The Scottish and UK Governments:** to provide access to sufficient levels of investment to incentivise port and harbour owners to overhaul their existing facilities to meet the needs of the offshore renewables sectors.
- **The UK Government:** to agree that OFGEM immediately releases the Fossil Fuel Levy to the Scottish Government to allow for offshore infrastructure in Scotland to be supported and that this transfer will not lead to a corresponding reduction in Scotland's overall budget allocation.

Appendix 2: Short & Medium Term Offshore Wind Energy Options

