

27 August 2021
Michael Matheson MSP
Cabinet Secretary for Net Zero,
Energy and Transport,
Scottish Government,
St. Andrews House,
Regent Road,
Edinburgh, EH1 3DG

Dear Cabinet Secretary,

I am writing to follow up previous correspondence regarding Inch Cape Offshore Limited's Agreement for Lease terms and the impact on the project's competitiveness and therefore the prospects of success in the upcoming CfD allocation round.

The fundamental issue is that we believe that the rental terms of Inch Cape Offshore Limited (ICOL) no longer reflect market value for offshore wind projects and are significantly higher than all our competitor projects in CfD Allocation Round 4 (AR4).

This represents a disadvantage to ICOL of:

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This difference is several times higher than the amount ICOL lost out by in CfD AR3 and is likely to be the difference between success and failure at AR4.

This additional cost moves ICOL yet further back in the stack of eligible projects, meaning it is unlikely to secure a CfD, dealing a blow to Scottish supply chain and net zero targets.

We believe that the negative impact of ICOL's lease terms affects our ability to secure a CfD and chances of proceeding, and Crown Estate Scotland's refusal to amend the terms of our Agreement for Lease is inconsistent with the organisation's duty to further sustainable development in Scotland and to manage its assets to promote the economic development and environmental wellbeing of Scotland. It is our clear understanding that the organisation has the flexibility to move to an updated assessment of market value given the wholesale change in the economics of the sector and in fact that failure to do so would constitute a breach of CES's duties under Section 7 of the Scottish Crown Estate Act 2019.

ICOL's rental terms are also significantly out of step with the other Scottish Territorial Waters projects on a number of metrics, due to the reduction in CfD prices from £140/MWh in 2014.

For example, ICOL's rent as a proportion of revenue is around four times greater than that of Beatrice Offshore Wind and Nearth na Gaoithe, and rental costs per km² of seabed are close to double the rate paid by those two projects.

I have enclosed a presentation 'ICOL Agreement for Lease – The Case for Review' that provides more information on this issue for your consideration and would, of course, be happy to discuss

this in more detail with you at the meeting with our shareholder Red Rock Power Limited on the 14th September or with relevant officials.

I look forward to your response.

Yours sincerely,

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Adam Ezzamel
Project Director