



House of Commons  
Welsh Affairs Committee

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# Floating Offshore Wind in Wales: Government Response to the Committee's Second Report

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Fourth Special Report of Session  
2022–23

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to be printed 24 May 2023*

## Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the Senedd Cymru—Welsh Parliament).

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[Stephen Crabb MP](#) (*Conservative, Preseli Pembrokeshire*) (Chair)

[Simon Baynes MP](#) (*Conservative, Clywd South*)

[Virginia Crosbie MP](#) (*Conservative, Ynys Môn*)

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[Dr Jamie Wallis MP](#) (*Conservative, Bridgend*)

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### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

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Committee reports are published on the [Committee's website](#) and in print by Order of the House.

### Committee staff

The current staff of the Committee are Emma Dobrzynski (Committee Operations Manager), Edward Hicks (Second Clerk), John Hitchcock (Committee Specialist), Sarah Ioannou (Clerk), Chloe Jago (Senior Media Officer), Anwen Rees (Clerk), Saminah Turk (Committee Operations Manager).

### Contacts

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You can follow the Committee on Twitter using [@CommonsWelshAff](#)

## Fourth Special Report

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The Welsh Affairs Committee published its Second Report of Session 2022–23, [Floating Offshore Wind in Wales](#) (HC 1182) on 8 March 2023. The Government's response was received on 11 May 2023 and is appended below.

## Appendix: Government Response

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### Introduction:

The Government welcomes the Welsh Affairs Committee's interest in the Celtic Sea, and the recognition of the role the region could play in meeting the Government's ambition for up to 5GW of floating offshore wind by 2030, supporting the wider ambition for up to 50GW of offshore wind by 2030.

The UK is a world leader in fixed bottom offshore wind. We currently have the world's largest operational offshore wind farm project, Hornsea 2, and the second, third and fourth largest operational offshore wind farm projects in the world. Our established policy instruments like the Contracts for Difference (CfD) scheme make the UK an attractive destination for long-term sustainable investment. Floating offshore wind, in turn, opens up access to new, deeper areas of seabed, helping us deploy the large volumes of offshore wind we need to deliver net zero and secure the UK's energy supply. The UK already has more installed floating wind capacity than any other country, with 78MW operational. The Hywind Scotland (30MW) and Kincardine (48MW) projects are, respectively, the world's first and largest floating windfarms.

We are committed to building on the UK's position and placing the UK at the forefront of this exciting new sector. Since the committee's report was published, we have published the Powering Up Britain: Energy Security Plan, which included the launch of the up to £160m Floating Offshore Wind Manufacturing Scheme (FLOWMIS) to kick start investment in the port infrastructure projects needed to deliver our floating offshore wind ambitions. This will give investors the confidence to back this emerging sector, which will make a vital contribution to the UK's energy security and net zero targets.

This builds on the £31m Floating Offshore Wind Demonstration Programme, matched by £30m from industry, as well as the first Contract for Difference (CfD) supported floating wind project, the 32MW TwinHub project to be located in the Celtic Sea, in last year's CfD Allocation Round 4.

The Government will continue to work with industry and colleagues in the devolved administrations to create the right environment for this exciting new technology to develop, and to allow regions such as the Celtic Sea to benefit from this growth.

**Recommendation responses:**

	Report recommendation	Response
1	<p><b><i>The UK Government must set targets for floating offshore wind beyond 2030 up to 2045. Alongside these targets it should work with The Crown Estate to provide visibility on future leasing opportunities in the Celtic Sea beyond the current leasing round and bring forward a strategy setting out how this will be delivered. The UK Government should also provide clarity on where leadership for this strategy lies within government. These targets and the strategy for achieving them should be provided prior to the conclusion of the upcoming leasing round.</i></b></p>	<p>The Department for Energy Security and Net Zero leads on energy policy for the UK, including on the ambition set out in the British Energy Security Strategy to deploy up to 50GW of offshore wind by 2030, including up to 5GW of floating offshore wind. The Department is also responsible for the UK's primary method to support the deployment of renewable energy projects, the Contracts for Difference scheme.</p> <p>We will continue to work with industry through the Floating Offshore Wind Taskforce to tackle barriers to deployment and enable collaboration in the industry, to create the right environment for investment.</p> <p>The Government recognises the positive impact that deployment ambitions can have for renewable energy deployment. This is demonstrated by our world leading ambition for up to 5GW of floating offshore wind by 2030. Technology deployment ambitions aim to provide confidence to the market to enable investment, however, these benefits must be balanced against a need to observe how emerging technologies develop over time, to ensure we can deliver a low-cost, efficient net zero consistent electricity system.</p> <p>The Powering Up Britain: Energy Security Plan sets out the steps the Government is taking to ensure the UK is more energy independent, secure and resilient.</p> <p>Our strategy to increase supply of low-carbon energy is dependent on enhancing our strengths in wind, solar and nuclear power generation alongside hydrogen production and carbon capture, usage and storage. We aim to remove barriers and address blockages, whilst developing new options, but determining the exact configuration of the future energy system is not sensible. We need to retain the flexibility to adapt to changing circumstances, develop market frameworks that incentivise a low-cost, reliable system and provide the opportunity for innovation to develop new approaches and drive down costs.</p> <p>We will continue to review our plans, drawing on advice from experts to test our approach and adjust our course to ensure that we remain on track to deliver our objective for a reliable, low-cost energy system, one which remains consistent with our net zero target. Delivery of the commitments in the Energy Security Plan will be in accordance with the devolution settlements with Scotland, Wales and Northern Ireland.</p>

	Report recommendation	Response
2	<p><b><i>The UK Government should work with the Welsh Government to identify the staffing and resourcing requirements of consenting bodies necessary for the delivery of floating offshore wind at pace. Subsequent to this review, both governments should bring forward a joint plan and timetable for how these resources will be allocated and shared to meet demand</i></b></p>	<p>The recent report from Offshore Wind Industry Champion Tim Pick recognised an increased need for environmental and biodiversity specialists for industry and statutory bodies, including Local Authorities, across the UK and, in line with the recommendations on skills from the Independent Review of Net Zero, the renewables industry is working within the Green Jobs Delivery Group to develop the Net Zero Skills and Workforce Action Plan to be published in 2024, which will address emerging workforce challenges.</p> <p>Similarly, the Welsh Government recently set out its Net Zero Skills Action Plan which aims to ensure a partnership approach, drawing on its social partnership way of working. The plan expressly recognises that the status quo is not sustainable, and the plan is the first step in helping to guide difficult decisions on business investment and planning, with education providers and public services.</p> <p>Welsh Government have also undertaken an end-to-end review of the marine licensing, consenting and supporting advisory processes to remove barriers, drawing on the work of existing groups. The final report of this review is expected at the end of October and will include a series of recommendations for improvements to these processes.</p>
3	<p><b><i>We recommend The Crown Estate bring forward further detail on its supply chain requirements at the earliest opportunity to assist developers in preparing their bids. Alongside this it should formulate a credible mechanism for holding developers to their supply chain investment plans and ensuring these commitments are followed through.</i></b></p>	<p>The Crown Estate intends to provide further detail in this regard at the next market update.</p>

	Report recommendation	Response
4	<p><b><i>The UK Government should reform future Contracts for Difference auctions for floating offshore wind to include enforceable local content requirements as a condition of the contract. These requirements should be designed to align with those in The Crown Estate's upcoming leasing rounds. It should also re-examine the parameters for Allocation Round 5 and take action to ensure the strike price fully reflects increased costs to developers arising from global economic pressures.</i></b></p>	<p>The Government is working with The Crown Estate to co-ordinate their future approach to supply chains, whether in CfD Supply Chain Plan policy, or the potential introduction of CfD non-price factors which are the subject of a recently published Call for Evidence. Future government policy will be designed to maximise the development of a healthy, sustainable and secure Floating Offshore Wind supply chain, respecting that local content requirements are illegal under WTO trade rules.</p> <p>Government makes decisions about CfD auction design considering a wide range of evidence, such as our best knowledge about the anticipated firm project pipeline at the point the Budget decision is made, to carefully balance the need to maximise renewable deployment and to deliver value for money outcomes. The Secretary of State has the opportunity to increase the Budget after the application window has closed and a formal valuation of eligible participants has been submitted by National Grid. Administrative Strike Prices (ASPs) for each technology within the CfD scheme are based on the Department for Energy Security and Net Zero's latest view of potential project costs and future revenues, which are consistent with cost assumptions in the upcoming 2023 Electricity Generation Costs report. They are set to encourage participation in the allocation round and use an approach which ensures value for money, whilst being consistent with government's policy and deployment ambitions.</p> <p>The CfD scheme also provides generators with protection from inflation through indexing the strike price to the Consumer Price Index (CPI). This compares favourably to other schemes. No system fully accounts for the impact on every individual project, but this approach offers broad protection to generators throughout the contract life; generators' strike prices will benefit from future adjustments for CPI over the duration of the contract.</p> <p>The ASPs for Allocation Round 5 (AR5), for the majority of successful technologies from Allocation Round 4 (AR4), remain at least 30% above their effective AR4 clearing prices, after accounting for the Ofgem decision to remove Balancing Services Use of System (BSUoS) charges from generators.</p>

	Report recommendation	Response
5	<p><b><i>The UK Government should set out a clear timeline for the allocation of FLOWMIS and commit to ensuring Welsh ports receive at least half of the available funding.</i></b></p>	<p>The Floating Offshore Wind Manufacturing Investment Scheme (FLOWMIS) opened for applications on 30th March 2023.</p> <p>FLOWMIS is a competitive process and the balance of funding across different parts of the UK will depend on the applications that we receive. Any funding awards will be based on a project's ability to demonstrate value for money and their ability to meet the strategic objectives of the scheme.</p>
6	<p><b><i>To provide ports with the confidence to make long-term investments in infrastructure The Crown Estate should set further targets for floating offshore wind in the Celtic Sea beyond its initial target of 4GW. Alongside this the UK Government should set out its future funding commitments to ports beyond the allocation of FLOWMIS.</i></b></p>	<p>We welcome the Floating Offshore Wind Taskforce's recently published "Industry Roadmap 2040", which identified the need for up to 11 ports around the UK, supported by £4bn of investment, to enable the roll out of floating offshore wind at scale.</p> <p>The Floating Offshore Wind Manufacturing Investment Scheme is now open to applications, and will support investment in port infrastructure for floating offshore wind deployment until March 2025.</p> <p>The Government will continue to work with the sector, through bodies such as the Floating Offshore Wind Task Force and the Offshore Wind Industry Council (OWIC), to understand future port investment requirements and timescales.</p> <p>We have published the Offshore Wind Net Zero Investment Roadmap articulating the sectoral investment need, and summarising Government policy and funding, to provide investors with the information they need to support investment decisions.</p> <p>Similarly, the Net Zero Growth Plan, outlines how, working alongside industry, the Government will remove barriers to help modernise The Crown Estate's investment capability to help unlock investment and growth in key sectors, including offshore wind.</p> <p>The Government is also working closely with industry to consider the recommendations of the Offshore Wind Industry Champion, Tim Pick, on the development of sustainable offshore wind supply chains and supporting infrastructure.</p> <p>The Crown Estate intends to provide further detail with regard to future Celtic Sea leasing at its next market update.</p>



	Report recommendation	Response
7	<p><b><i>Wider decarbonisation goals should be considered when planning grid infrastructure. The UK Government should continue to appraise National Grid ESO's Holistic Network Design and follow-up exercise with this in mind and ensure opportunities for decarbonisation in Wales are not missed when decisions over where to connect floating offshore wind in the Celtic Sea are made. The UK Government should update us on work to strengthen the grid in South West Wales to accommodate future generation in the Celtic Sea.</i></b></p>	<p>The independent report of the Offshore Wind Industry Champion noted the constraints on offshore wind from grid, and we refer to the Government's response to the Committee's previous enquiry on grid capacity in Wales for more specific details.</p> <p>The Government's recently published Powering Up Britain publications reaffirm its commitment to accelerate delivery of electricity network infrastructure across Great Britain, as a critical enabler for energy security and net zero. The Government will continue to address recommendations to improve anticipatory investment and strategic planning of the networks through the work outlined in the Holistic Network Design (HND) and upcoming Future Framework Government Consultation Response.</p> <p>The HND is the first step in establishing a more strategic approach to network design. The HND, and the Centralised Strategic Network Plans which will follow it, recognise the important role that strategic investment has in ensuring network readiness for net zero, including in Wales. The HND offers a recommended design to enable the connection of 18 new offshore wind farms with a combined capacity of 23GW. This represents a considerable investment and is expected to cover 7000km of cable and 94 grid reinforcement projects. The total investment is expected to be £54 billion. This will be complemented by the Holistic Network Design Follow Up Exercise, which will provide recommendations for the connection of floating offshore wind in the Celtic Sea.</p> <p>The Government Response to the consultation on the Future Framework publication will also set out recommendations for developing a more upfront strategic approach to the deployment of offshore wind, including increasing alignment between seabed leasing and grid capacity.</p>



	Report recommendation	Response
8	<p><b><i>Long-term targets and a clear roadmap for delivery, as recommended elsewhere in this report, should be provided at the earliest opportunity to assist National Grid ESO in planning for improvements to grid infrastructure. Alongside this, the UK Government should continue to appraise National Grid ESO's proposals, ensure these are fit for purpose and, where necessary, back proposals with anticipatory investment. We also recommend the UK Government continue to engage with industry and other stakeholders on finding solutions to grid infrastructure acceleration. These solutions should be sought in accordance with the target of reducing processing times by a minimum of 50% within a year.</i></b></p>	<p>The Government is working with Ofgem, network companies and others to deliver anticipatory investment and enable renewable generation. Ofgem's price control funds investment in the network for new connections. As part of the 2023–28 electricity distribution network price control, Ofgem will allow £3.1bn for network upgrades. These actions should reduce connection timescales for projects across the country.</p> <p>Accelerating the delivery of electricity network infrastructure is a high priority for Government. We have already taken action to improve strategic planning and speed up consenting and regulatory approvals, and have appointed Nick Winser as Electricity Networks Commissioner to advise on how we can go further. We will respond with an action plan later this year.</p>