Written evidence submitted by Celtic Sea Power Response (IND0012)

How can UK plc capture its fair share of the economic potential of emerging or less developed energy technologies?

In response to this call, we draw on the high profile example of Floating Offshore Wind (FLOW) in the Celtic Sea. CSP's perspective is one of ensuring that socio-economic development for Cornwall and the wider region is derived as this nascent industry develops. The Crown Estate's Celtic Sea Blueprint states that by the late 2030s; *"the delivery of a Celtic Sea 4.5GW programme will deliver into the UK £1.4 bn GVA and an average of 5,300 jobs through the development of necessary port infrastructure and the supply of critical components and vessel needs".* However, the UK must act early and decisively to establish itself as a leader in not only the development of FLOW but the delivery of it's constituent products and services by the UK supply chain. Not just to meet goals for energy security and sustainability but to enhance the UK's export potential, GVA and jobs.

CSP recommend the following:

1. Long-term Policy Consistency

- **A stable and supportive policy environment.** Particularly the provision of market confidence is essential to build investor confidence and attract private sector participation
    - For an examination of policy levers that could be used to maximise local content from Celtic Sea FLOW, please see this reportMissing Middle "Building Cornwall's Floating Offshore Wind Industry" - Cornwall and Isles of Scilly Local Enterprise Partnership

- **Provide market certainty for development - linked to the UK's ability to deliver.**
    - The Contract for Difference (CfD) mechanism remains a key tool focussed on development.
    - The Clean Industry Bonus scheme is a very welcome initiative to prompt investment from the offshore wind industry into the UK supply chain essential for its own long-term delivery. Specifically, into the underdeveloped regions in which it will be hosted.
    - For the Celtic Sea, Allocation Round 7 (AR7) will be an acid test of both CfD, CIB and the "stepping stone" concept of increasing regional capacity.

2. Targeted and Timely Investment

- **Anticipatory investment into "enabling infrastructure".**

- Particularly ports, grid, logistical hubs and workforce.
- Potentially also shared assets for which future demand is clear, i.e. vessels, multi-connector offshore substations.
- In the case of ports for offshore wind care should be taken to engender collaboration - so assembly, deployment, and maintenance can be maximised at a regional level.

- **Support emerging ambition for sustainable regional industries**.
  - Focussed support to increase the capacity of existing capabilities should be based on where local private sector express ambition to do so - especially when consortia can be formed with complementary expertise elsewhere in the UK. Crucially, this will position the UK as a first-mover to capture export opportunities in global markets.
  - For FLOW, the key areas of UK capability and ambition with the highest value UK additionality are; anchors and mooring, substructure manufacturing.

Does the UK have the supply chain capacity to deliver the required energy infrastructure by 2035, including an expanded electricity network?

No, not at present. As above there is scope for HMG to provide long term policy consistency and targeted investment. At a more granular and practical level for supply chain development CSP advocate the following:

1. **Listen to ambitious UK companies**

The pressing concerns of UK entrepreneurs seeking to provide solutions into a new market are not easy to capture. Conventional supply chain analyses examine what already exists rather than what could be. Large trade associations, notably OEUK, have a vital role in consolidating into strong reports but an emphasis tending to assess mid-size companies that may have plateaued rather than the entrepreneurs nurturing a big idea.

Yet it is UK SMEs that shoulder disproportionate amount of the risk of a nascent industry led by international developers. Overlooked challenges to growth faced by UK companies willing to take on such risk include but are not limited to:

- Financial credibility to take on contracts (ie balance sheet)
- Market uncertainty, specifically:
  - Demand risk
  - Timing risk
- Constraints on space and power
- Recruitment and retention (specifically of earlier-career engineers)

Public sector-led business support initiatives strongly incline to short-term innovation grants for technical development of novel products rather than commercial scale-up. Valuable as

this is in enhancing *capability* it does not get to the heart of what future Teir 1 companies require: *Capacity*. This message has been made clear through CSPs work on strategic sector development of Celtic Sea. *Capacity* is the key missing ingredient for a high potential company to remain resilient and prepare for rapid upscaling if and when contracts flow from a new green industry.

2. **Support locally-consortia of UK companies with credible ambition**

As stated elsewhere, government has a key role in providing market certainty, mitigating risk and early investment. We would also advocate for UK support at a more granular and practical level. For instance:

- *Support proactivity by UK consortia - to develop ambitious solutions ahead of new market challenges.* Exampled by the Piranha-Hub platform
- *Forward contracts* to *develop investible propositions.* As pioneered by CSP's Industry Delivery Plan (IDP) program.
- *Development expenditure to de-risk ambitious investment* propositions. As per the Crown Estate's Accelerator programme.
- *Co-investment into viable assets.* With a focus on enabling assets for which there is clear future demand by an emerging clean industry (ie FLOW) but for which long-lead investment is required i.e Vessels, draft-reduction technologies, logistical hubs. Potential role here for NWF / GB Energy

To what extent would growing the domestic supply chain bolster UK energy security?

UK capability should be maximised if energy security is to be assured in the long-term. Not only for domestic delivery but for export potential.

In the case of offshore wind we would reference the Offshore Wind Industrial Growth Plan and the UK FLOW Task Force Vision.

What are the key concerns with respect to the availability of raw materials in the supply chain and how might those be addressed?

The UK energy supply chain is heavily reliant on overseas raw materials and imports. There are opportunities to increase domestic production however. Notably in the case of concrete and aggregates for the construction of FLOW platforms.

About Celtic Sea Power

Celtic Sea Power's mission is to support the sustainable development of floating offshore wind (FLOW) and maximise the once-in-a-generation opportunity for Cornwall and the wider Celtic Sea region.

As an arms-length company owned by Cornwall Council, Celtic Sea Power (CSP) is working in the Celtic Sea region, for the Celtic Sea region to ensure that, wherever possible, local people feel the social and economic benefits of one of the most ambitious FLOW pipelines in the world.

Industrial development of FLOW in the Celtic Sea should boost the region's economy, root high-quality jobs into the area, increase export potential of existing capability and support a sustainable energy transition which achieves net environmental benefits. To this end, CSP are proactively working across five strategic pillars:

- Infrastructure
- Industry
- Workforce
- Environment
- Regional coherence

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