

Written evidence submitted by Ørsted (IND0030)

About Ørsted

Ørsted is one of the largest real-economy investors in the UK as a developer, constructor, owner and operator of offshore wind and other renewable energy projects. We have invested over £15bn in the UK over the last decade and plan to invest a further £16bn in new offshore wind farms in the next few years. Our clean energy plants generate over 7% of the UK's electricity, and we employ 1300 people in the UK with major operating hubs in Grimsby, Barrow and Liverpool.

Our projects already play a significant role in attracting investment. We were the anchor for SeAH's £900m investment in a new monopile facility in Teesside, actively working with SeAH, the UK and Regional Government to support the investment. Most recently Ørsted was the anchor for Severfield's planned investment in Teesside for a new secondary steel facility. We have placed major contracts with 230 UK suppliers in the past five years, with 45 of these servicing our non-UK projects. From our engagement with the UK and global supply chain we understand why our suppliers do, or do not, invest in the UK.

Ørsted has a dedicated team of 30 full-time people working in our innovation department helping commercialise renewable energy technologies by transitioning them from lab to field. At any time, we are working on 100-150 live innovation projects involving over 200 people across our in-house engineering functions. We have ongoing partnerships with more than 50 leading universities and research entities around the world and in 2023, we ran 'Ørsted Propel' – our in-house accelerator programme designed to support startups tackling industry challenges with their commercialisation and growth.

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

Emerging and less developed technologies present a huge economic opportunity for the UK, in addition to being crucial in getting us to net zero.

Getting early projects built creates opportunities to take first mover advantage. It is those early projects which create opportunities for the supply chain to deliver, learn, drive cost down and ultimately de-risk future projects. All of this helps to increase supply chain confidence to invest.

We saw in the development of now well-established and scaled renewable technologies, such as onshore and fixed-bottom offshore wind, that enabling *multiple* projects to come to market allowed *multiple* technical concepts, supply chains and delivery models to be demonstrated. This prevented a small number of suppliers from monopolising the market and drove forward cost-reduction. Developers, banks and insurers will naturally turn to concepts that have been demonstrated. The UK ambition should be to have UK companies taking leading roles in those early projects, which is most likely to happen if those projects are in the UK. This is true for a wide range of technologies and innovations spanning energy storage, hydrogen and floating wind. Government has a key role to play in ensuring these early projects have the appropriate support, for instance implementing the cap and floor scheme to enable investment in Long Duration Energy Storage, and removing regulatory barriers to co-location. It cannot be emphasised enough that Ofgem's approach to regulation is currently far too precautionary to enable innovation at the pace required.

What more can the Government do to encourage greater domestic supply chain investment in the energy industry by 2035, including through the Contracts for Difference scheme?

Energy policy can be used to maintain a strong, visible pipeline of projects, across established and emerging technologies.

The CfD has been the most effective enabler in attracting investment in renewable energy projects in the UK. This must continue, with government committing to annual auctions and capacity targets. A collapse in investment in new projects in the UK would have a destabilising impact on investment in the UK supply chain.

The Government should provide clarity on timelines and capacity for future seabed leasing for offshore wind.

The Government's initial actions on grid reform and planning reform are extremely positive and must be sped through to remove barriers to industry getting renewable energy projects built.

It must also be careful to ensure ongoing market reforms strengthen rather than hamper investor confidence.

As already mentioned above, Government must ensure the appropriate route to market and revenue support are available for emerging technologies to ensure the UK can, where possible, grasp first mover advantage. Clear support for delivering a pipeline of 'stepping-stone' projects is vital in strengthening supply chain confidence.

Pipeline alone is not enough - industrial policy must make the UK a great place to do business.

Despite being the world-leading market for offshore wind, and despite hosting a substantial domestic supply chain, the UK is able to attract greater levels of investment. There are clear examples showing that pipeline is not the only consideration for supply chain investors. For instance, Vestas chose to locate its new blade factory in Poland despite Poland not having a substantial pipeline. What it does have is a commitment from the Polish Government to support the new facilities.

It is well-known that the CfD scheme is designed to drive down the Levelized Cost of Energy for UK consumers and means that by the time renewable projects take Final Investment Decision it is often too late for the supply chain to invest in the capacity and capabilities needed to service that project. For example, port upgrades or the building of a new factory must take place several years before projects are ready to confirm orders. Therefore, it is vital that industrial policy sits alongside the CfD scheme.

Government can use industrial policy to encourage greater domestic supply chain investment by:

- **Engaging earlier and proactively with overseas supply chain investors.** The UK more often engages overseas investors reactively rather than focusing on attracting them in the first place.
- **Being willing to 'pick winners.** This does not necessarily mean individual companies but deciding which technologies the UK will focus on and grabbing the opportunity when a company is seriously interested in investing. For offshore wind, this thorough assessment of priorities and opportunities has already been carried out: [Offshore Wind Industrial Growth Plan](#).
- **Focussing on supporting investment in the first two to three UK ports.** These will naturally become supply chain clusters but are struggling to secure anticipatory investment to deliver

upgrades need *now* without a pipeline of projects having taken FID. Government, The Crown Estate or the National Wealth Fund must invest or co-invest in these facilities, as has proven successful in other markets.

- **Providing tailored support to de-risk investment** such as government guarantees, investment in enabling infrastructure and support in planning. For example, the UK Government recently ran funding rounds to support the supply chain and supporting infrastructure and ports related to the offshore wind industry and the floating offshore wind industry – known as OWMIS and FLOWMIS. In both instances awards came with very tight timelines related to when then investments would have to be made to trigger the government support. In many instances investors considering investments in new facilities were not able to align with the programme’s timelines, and potential investments did not go ahead. Anecdotally, many of our suppliers say that when they engage with other countries, support and government guarantees can be discussed on the timetable that fits the project.

An example of where this has worked well is SeAH’s recent investment in a monopile manufacturing facility in Teesside, for which Ørsted was the anchor. There was extensive engagement by the UK and regional governments, government guarantees provided, and developers willing to take a risk on using a new facility that had not yet been built – partly on the assumption that government support would unblock problems.

Speed is important – in other examples, usually foreign investors are discussing investments with the UK and other markets simultaneously and will naturally opt for the market where appropriate support is forthcoming fastest. A smooth experience also makes that company more likely to invest here again in the future.

We emphasise that funding from industry through the Industrial Growth Partnership mechanism will not be available until early 2027, so funding from other sources will be needed if the UK is to avoid a hiatus in supply chain development. We look to the Government’s forthcoming industrial strategy and results of the spending review this Spring to provide certainty that the required support will be available.

- **Ensuring the right training is available and that high-cost training is sufficiently funded.** Supply chain investors need confidence that their future workforce will be available in the UK. Further Education and other skills institutions will need the support of both industry and government. Government will need to ensure that the high cost of training is fully funded either directly or via the Growth and Skills Levy. Up until now the Apprenticeship Levy funding has not covered the full cost of the training. The high cost of training is a particular barrier for SMEs who find it hard to absorb the cost and build a business case for the cost of training when individuals could end up working for other companies once the training is completed. The new Growth and Skills Levy and wider policy should support courses of less than one year that enable the transfer of people from other sectors who already have some of the required skills but need to be retrained.
- o **Structure research and development funding for the longer term to help companies move from early concept to market-ready.** The UK has a world-class reputation for innovation but fails to support start-ups through commercialisation and scale-up. Innovators in the industry require a long-term view (ideally a 5 to 10-year funding programme) to enable new technologies to move through the technology readiness levels, bridge the so-called “valley of death”, reach commercialisation, and be deployed at scale. Funding through Innovate UK has been unpredictable with little funding awarded to offshore wind compared to other

sectors. DESNZ funding has been substantial at times but sporadic. The solution is not necessarily more funding but channelling the available funds to strategic priorities and giving longer-term support.

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

Not yet. The recommendations set out above will help the UK secure that supply chain.

The challenge is significant but so is the opportunity. To meet global demand for offshore wind, the global supply chain needs to triple in size. The [Industrial Growth Plan](#) sets out the demand for cables in Europe alone is set to increase 14-fold to 2030 while the UK workforce needs to expand four-fold between 2023 and 2035 to meet demand for offshore wind alone. The UK will be in fierce competition for this with other markets.

The Industrial Growth Plan sets out priority areas for developing the UK supply chain for offshore wind. Given the geopolitical context developing this supply chain is vital for the UK's energy security.

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

The domestic supply chain bolsters UK energy security only in so far as it increases supply chain capacity and capability and therefore makes it more likely that energy projects themselves will be built.

One area where a domestic supply chain could lend particular support to UK energy assets is circularity. By increasing the UK's ability to efficiently remanufacture components, for instance, we can reduce consumption of high demand materials.

Some supply chains will inevitably always be international so the ability for companies to smoothly import and export will continue to be important.

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