CECA Consultation Response

Civil Engineering Contractors Association
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CFD Allocation,
Department for Business, Energy & Industrial Strategy,
4th Floor Area D,
3 Whitehall Place,
London,
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31 January 2017

Dear Sir / Madam

Re: Contracts for Difference: Consultation on treatment of non-mainland GB onshore wind projects

The Civil Engineering Contractors Association (CECA) welcomes the opportunity to respond to the above named consultation.

CECA is the representative body for companies who work day-to-day to deliver, upgrade, and maintain the UK's transport and utility networks. With more than 300 members throughout England, Scotland and Wales, we represent firms who together carry out up to 80 per cent of all civil engineering activity in the UK, in the key sectors of transport, energy, communications, waste and water.

Our members include some of the largest construction firms as well as a range of small specialist and regional contractors. Our industry supports the employment of over 200,000 people in the UK with annual activity worth £25 billion.

We have long argued that the UK Government must commit to a long-term energy strategy based on a diverse energy mix which does not deter badly needed investment to enable a safe and secure energy supply for economic and social growth.

One of the most notable opportunities lies in future intermittent renewable generation from the remote isles of the UK, including Orkney, Shetland and the Western Isles. However investment valued at up to £1.3 billion in the remote isles is currently constrained by a number of factors including connections to the wider grid, and subsidy support.

This investment could benefit Scotland's islands economies by up to £725 million over the next 25 years.

We estimate that there is over £300m worth of civil engineering activity per annum in the Scottish renewables sector alone, made up from a combination of power generation, power distribution, and heat source work. This is therefore a significant proportion (over 10 per cent) of total Scottish civil engineering workload and directly employs over 3000 people – particularly in remote and economically sensitive areas – with many more in the supply chain.

With this in mind, and with the challenges of securing our economy for the long-term in a post-Brexit world, CECA believes that the UK Government must reverse the current policy position that remote island wind projects should be treated the same as mainland onshore wind. This small policy change will enable a significant natural and renewable resource to play a key part in driving forward UK economic growth and meeting UK-wide carbon targets.

Yours faithfully,

Marie-Claude Hemming
Head of External Affairs
Civil Engineering Contractors Association

1. **Should non-mainland GB onshore wind be considered a separate technology from onshore wind more generally?**

CECA members believe that non-mainland onshore wind must be placed in a separate category from onshore wind in general. This is because of established economic benefits for companies operating in remote communities and for those communities themselves. CECA further notes that non-mainland onshore wind projects can play a key role in meeting the UK's decarbonisation targets.

In our view, the remote islands are fortunate to have a fantastic wind resource, and are ideally placed to facilitate a reliable source of renewable electricity. Furthermore, our understanding from members operating within the region is that support for the development of onshore wind farms within these communities is high because it will provide much needed jobs and investment.

While these opportunities will originally arise as a result of onshore wind development, in the long-term we believe further growth will be driven via wave and tidal projects and interconnection with neighbouring countries such as Norway.

In our view the economic growth driven by the creation of onshore wind on the remote islands is unlikely to be realised in the current climate given current development support mechanisms. As such - and given the lower than assumed cost of capital that developers are benefitting from on non-mainland projects - we believe that permission for the development of onshore wind provides a unique opportunity for the communities on these islands to rapidly increase their economic growth and become key players in securing the UK's economy for the long-term.

Existing evidence supports this view. Notably a consultation process begun in 2013 by DECC on additional support for island renewables confirmed Government's own evidence and independent research of the economic benefits of onshore wind development on the remote islands. It also drew attention to the characteristics meaning that such a development constitutes a separate class of renewable generation[1].

There is also notable public support for the development of onshore wind on the remote islands. Council plans for Orkney, Shetland and the Western Isles all prioritise renewable energy as key to economic development. Furthermore, across the UK as a whole, research by Copper Consultancy found that renewable energy is one of the British public's top two infrastructure priorities for investment.

[1]DECC, *Additional Support for island renewables,* 2013
https://www.gov.uk/government/consultations/additional-support-for-scottish-island-renewables

2. **We would be interested to hear if you believe there are specific barriers / costs / issues associated with non-mainland onshore GB wind? If you believe there are, please provide evidence.**

The main barrier to the development of non-mainland onshore wind on the remote islands is the lack of interconnectors to the grid to allow the export of electricity combined with a lack of local infrastructure. Investment is required in both to enable renewable developments on the islands to compete for market support with projects on the mainland and to ensure that the full potential of non-mainland onshore wind can be realised. Given the location, these initial costs will be higher than on the mainland, but this must be considered alongside the long-term gain in economic growth and popular support for the projects.

3. **If you have set out any specific challenges for non-mainland GB onshore wind projects, do you consider there to be other measures outside of the CFD scheme that could be adopted by the (UK) Government, or others, to remedy those challenges? What would these measures be?**

CECA members are extremely concerned about the lack of Government support for renewable energy investment. This is very worrying for a notable proportion of our membership whose core business is renewables. The Green Alliance has projected that the end of subsidy for onshore wind will see renewables investment drop by 95 per cent between 2017 and 2020. Not only will this impact on jobs and growth, it will also result in the UK Government failing to meet its commitment of cutting carbon emissions by 57 per cent by 2030.

CECA strongly urges the UK Government to take action to support island communities and to work to overcome the multiple barriers to investment that currently exist. Core to this is our belief that the UK Government must reverse its decision to end subsidies for remote island wind projects, allowing initiatives off the mainland, in Scotland's remotest areas, to compete with on-shore installations on an equal basis and enable some of the most powerful renewable energy sources in Europe to be harnessed. Without action, Scotland's island economies will be locked out of the huge economic benefits the transition to a low carbon economy will bring.