

## **Malcolm Wicks' Opening address to the Offshore Wind & Transmission Investor Conference - 18 February 2008**

It's my pleasant duty to welcome you to the Offshore Wind and Transmission Investor conference.

Renewable energy is a central part of the Government's strategy for tackling climate change and delivering continued energy security in the UK. It will play an increasingly important role as we move towards a low-carbon economy.

As the Prime Minister made clear in November, in his first major speech on climate change and energy, the Government is absolutely committed to a major expansion of offshore wind. That expansion requires major investment and is a very significant business opportunity.

Last month the European Commission published its draft directive on renewable energy setting out a framework for delivering the 20% EU-wide target agreed by Heads of State at last year's Spring Council. This draft directive proposes a 15% target for the UK – those specific targets for individual member states and the conditions around them will be finalised next spring, but with our share of renewable energy currently around 2%, it's clear that we have an enormous amount to do.

Offshore wind will be a crucial component in achieving this ambitious target. The UK is blessed with some of the best offshore wind resource in Europe – the high winds and shallow waters around the UK coastlines are ideal for offshore development. We want to unlock that potential, harness and exploit this resource fully.

In the summer we will launch a full consultation on what more we should do to increase renewable energy use to meet our share of the EU 2020 renewables target. This will cover a broad range of issues and involve collaborative efforts across Government and with business, consumers and the wider community.

But of course, regardless of EU targets, we have already been pressing ahead with ambitious measures for encouraging renewables deployment. The Energy Bill, published on 10 January, includes provisions to strengthen the Renewables Obligation (RO) to drive greater deployment of renewables in the UK from a wider range of sources. This will result in more support to new and emerging technologies such as offshore wind by banding the Renewables Obligation.

We're serious about achieving our targets and as further evidence of this in December we launched a draft plan for the expansion of offshore wind – Round 3 - with up to 25GW of new offshore wind development rights in UK waters. We recognise that this is very

demanding to deliver – and considerable investment will be needed to achieve this.

At the moment there are currently 5<sup>1</sup> offshore wind farms operating off England and Wales with a capacity of around 400MW. Another 6<sup>2</sup> farms, totalling approximately 500MW, are under construction. In addition, a further 7<sup>3</sup> projects, totalling over 2.7GW, have received consents, with developers now undertaking their preparatory pre-construction work.

With this new capacity, and the other planned Round 2 offshore wind farms, we could have up to 8GW of offshore wind, through development rights granted to the market under the 1st and 2nd Rounds in 2001 and 2003. Round 3 offers the potential for another 25GW of offshore wind, an enormous increase.

To support this growth, we are working to establish an enduring offshore electricity transmission regime to connect planned offshore wind farms to the onshore grid. Ofgem will have additional powers to administer an efficient and effective regulatory regime for offshore electricity transmission. This is a large new market and represents a significant new opportunity. For Round 1 and Round 2 alone, we estimate the offshore transmission market to be worth up to £2.5 billion, which gives you some idea of the scale of the opportunities.

Ofgem will run the competitive tender process to appoint companies to connect offshore projects.

These plans are part of a raft of ambitious measures to encourage and stimulate increased deployment of renewable energy.

Achieving our targets will require enormous investment in infrastructure, technological development, and deployment. We recognise how challenging this will be to deliver, and how much investment will be needed.

The Government is supporting a wide range of measures to stimulate development in low carbon technologies, both “market push” and “market pull” mechanisms such as the RO and the RTFO. Together these create a package of support to help deploy technologies in the market.

Public sector funding for low carbon technologies is increasing steadily, both in the UK and EU. In the UK, there are major changes in how this funding is being delivered to ensure that it is co-ordinated and effectively supports the portfolio of technologies through the Research Councils, Technology Strategy Board and Energy Technologies Institute (ETI).

The ETI is a new public private partnership and is bringing together some of the world's biggest companies to set strategic direction in low carbon energy research and fund its delivery. The focus of its first technology programme is offshore wind and marine renewables. The ETI currently has a budget of over £600 million for a minimum of 10 years. The emerging technologies of today are the growth sectors of tomorrow and represent major business opportunities for the UK.

In addition, my department has already committed £97million to ten Round 1 offshore wind farms, with five of these already built and in operation. We have also given £3million to the Beatrice demonstrator, matching the amount offered by Scottish Executive.

We are working closely with UK inward investment agencies to secure local manufacture of turbines and associated supply chain within the UK. Clipper Windpower's decision in late 2007 to develop a new generation of offshore wind turbines in the North East of England is an example of how the UK is fast becoming a magnet for renewable energy investment.

The UK has a long history of working in the offshore environment, designing, installing and operating energy infrastructure. Our plans to expand offshore development provide great opportunities and will keep the UK at the forefront of this exciting new technology and provide the

chance for the UK to become a global centre of excellence in offshore technologies.

The British Government is taking a strategic, managed approach to deliver the framework for this massive expansion in offshore wind and I hope you will recognise the investment opportunities this represents.

By seizing these opportunities and working together, Government, industry and investors can capitalise on the UK's natural advantages and resources, to the benefit of us all.

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<sup>1</sup> Operational – 5 - North Hoyle, Scroby Sands, Kentish Flats, Barrow and Burbo.

<sup>2</sup> Under Construction – 6 - Lynn, Inner Dowsing, Robin Rigg (x 2 sites), Rhyl Flats, Gunfleet Sands (onshore works only).

<sup>3</sup> Consented/Pre-construction – 7 – Ormonde, Teesside, London Array, Ormonde, Thanet, Greater Gabbard and Walney.