

**Environment, Climate Change and Land Reform Committee**

**Climate Change (Emissions Reduction Targets) (Scotland) Bill**

**SUBMISSION FROM Brookfield Renewable UK Ltd**

**Introduction and context**

Brookfield Renewable UK Limited welcomes the opportunity to respond to the Environment, Climate Change and Land Reform Committee's Call for Written Evidence on the Climate Change (Emissions reduction targets) (Scotland) Bill. We would further welcome the opportunity to brief the Committee in person on the issues we raise in this submission, should the Committee consider it helpful.

As stipulated in the Call for Evidence specification, we will focus our remarks on the role that renewable electricity generation plays in delivering the aspirations of this legislation, and the behaviour, regulatory and policy changes that are required to ensure the success of the onshore wind industry in Scotland.

We welcome the progress that has been made in terms of decarbonising Scotland's electricity supply and the commitment to meeting Scotland's electricity needs wholly from renewable sources by 2030. As one of the largest developers of onshore wind in Scotland, we remain committed to sourcing sustainable, economically viable and efficient sites to support the Scottish Government in its emission reduction targets, working in partnership with communities to ensure that the benefits derived from each development have a material effect on the local economy.

As both the Climate Change Plan and the Energy Strategy make clear, the continued success of onshore wind in Scotland will be crucial for meeting Scotland's climate change aspirations and for continuing to act a major Scottish export, wealth creator and employer.<sup>1</sup> In our submission, we wish to raise our concerns with the Committee about the challenges Scotland will face in delivering on these welcome and ambitious targets, without progress on the barriers facing the onshore wind industry.

**About Brookfield Renewable UK Limited**

Brookfield Renewable UK Limited is a subsidiary of Brookfield Renewable Partners, one of the largest publicly-traded, pure-play renewable power platforms globally. Brookfield Renewables' power portfolio includes over 260 facilities totalling 10,700 MW of hydroelectric and wind capacity and is diversified across 15 power markets in seven countries. The global operating platform employs over 2,000 people.

Brookfield Renewable is building a European platform to provide fully-integrated development, operating, construction and power marketing capabilities. Today, the platform

---

<sup>1</sup> ONS figures on the low carbon and renewable energy economy in the UK for 2014 show onshore wind accounted for £3.2 billion in turnover, with Scotland having 46% of UK employment.

has 600 MW of operating wind capacity across the UK, Ireland and Portugal, and a development pipeline of approximately 1 GW.

In Scotland, Brookfield Renewable has an office in Edinburgh with a growing team of specialist staff focused on the acquisition and development of suitable onshore wind energy sites throughout the UK. It currently has 170 MW of permitted capacity, a further 50 MW in planning, and an early pipeline in excess of 200MW.

### **The contribution of onshore wind to Scotland's electricity mix**

As the Climate Change Plan notes, alongside other key strategies such as the Energy Strategy and the Onshore Wind Policy Statement, a significant proportion of Scotland's electricity mix is comprised of renewables, and predominantly onshore wind.<sup>2</sup>

In the foreword to the Onshore Wind Policy Statement, Minister for Energy, Connectivity and the Islands, Paul Wheelhouse MSP, states:

*The result is that we met the equivalent of an estimated 54% of our electricity demand from renewables in 2016, representing tremendous progress towards our target of 100% by 2020, and a significant contribution to our target of 50% of all energy from renewables by 2030. And while our intention remains to ensure that these targets are met from as wide and diverse a range as possible of renewable technologies, there can be no question about the dominant and hugely valuable role played by onshore wind – and we continue to see further capacity installed.*

He adds:

*Our energy and climate change goals mean that onshore wind will continue to play a vital role in Scotland's future – helping to substantively decarbonise our electricity supplies, heat and transport systems, thereby boosting our economy, and meeting local and national demand.*

In our view, there remains several significant challenges facing the industry which could stifle its continued success, and therefore the success of Scotland in realising its emissions reduction ambitions.

### **Electricity generation from onshore wind – challenges facing the industry**

#### *The energy market landscape*

The exclusion of onshore wind from the second UK Contracts for Difference (CfD) auction has made the commercial deployment of onshore wind farm development much more challenging. In addition, the remaining budget within the UK Levy Control Framework has changed markedly to respond to overspends, and visibility over the post 2020 budget has not

---

<sup>2</sup> Climate Change Plan (2018), Scottish Government, <https://www.gov.scot/Resource/0053/00532096.pdf>

been announced as highlighted in the UK Energy and Climate Change Select Committee inquiry, Investor Confidence in the UK Energy Sector.<sup>3</sup>

In addition, the inquiry into the Scottish renewables sector prepared by the Scottish Affairs Select Committee in 2016 highlighted that these cuts would have a disproportionate impact in Scotland given that the majority of onshore wind capacity is deployed here.<sup>4</sup> Furthermore, difficulties in finding new and alternative routes to market remain a barrier to deployment.

These factors together present real challenges to the economic viability of future onshore wind development in Scotland. We welcome and share the Scottish Government's ambitions, as outlined in the Climate Change Plan, Energy Strategy and Onshore Wind Policy Statement, to make Scotland the first country in the UK to host commercial wind farm development without subsidy. However, we believe there is a need for a supportive transitional policy, such as centrally auctioned subsidy-free revenue equalization contracts that offer value to consumers. Although renewable energy policy is delivered by the UK Government, it is our view that there is scope for the Scottish Government, and both public and private sectors, to work together to identify solutions and reduce the regulatory barriers that hinder investment.

#### *Considering new and creative routes to market*

In our view, there are business models that have been used elsewhere around the world, using a public sector/corporate Power Purchasing Agreement (PPA) model to guarantee a sustainable route to market for existing and potential capacity, that have proven to be successful. The Scottish Government has referenced this option in its Energy Strategy and Onshore Wind Policy Statement, in addition to the Climate Change Plan.

As the levelised cost of energy of onshore wind continues to drop it, is becoming increasingly attractive to energy consumers seeking to fix their costs for a number of years in the form of a PPA. Markets for Corporate PPAs have developed very successfully in other jurisdictions, such as the US and the Nordics. However, in these markets, generators benefit from support that brings down the cost of energy, such as tax incentives and renewable certificates, which don't exist in any form in the UK. There is therefore a gap between renewables generators and off-takers in the UK. Bridging the gap will help to attract corporates to new build renewables and help to offset consumer-supported costs.

Although the private sector ultimately drives these models, there are opportunities for the Scottish Government to use its networks and infrastructure to play an enabling and convening role - bringing key stakeholders together and creating a conducive regulatory environment.

In addition, the public sector and national and local government have significant energy requirements for the delivery of their functions across Scotland. There is, therefore, an

---

<sup>3</sup> <https://www.parliament.uk/business/committees/committees-a-z/commons-select/energy-and-climate-change-committee/inquiries/parliament-2015/investor-confidence/>

<sup>4</sup> <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmselect/741/74102.htm>

opportunity for the Scottish Government to lead by example by considering a type of PPA arrangement to source its energy wholly from renewable sources.

*Improving the consistency and reducing the resource burden of the planning system*

To realise the ambition of subsidy-free onshore wind development in Scotland, it is important that the regulatory environment is correct. For developers, the planning system is an important component of this environment.

In our experience, there can sometimes be inconsistency and incoherency in the application of local and national planning policy. Whilst we fully appreciate and respect the need for local decision-making and the importance of environmental and landscape matters in the siting of development, it is important that there is consistency in the application of national priorities and due weight applied to sustainable development.

In addition, it is especially important the planning system takes account of the Scottish Government's ambition for subsidy-free development, which necessitates taking steps to reduce project costs if corporate solutions are to be viable and successful. In our view, a more consistent approach on issues such as tip height restrictions would allow the benefits of new technologies, and therefore more efficient developments, to be more fully realised.

*Other barriers*

Improving the confidence in grid connection dates and the timing of Scotland's transmission upgrades and reinforcements is vital to the successful development and construction of wind farm projects, particularly for smaller independent power producers who face high levels of competition and hurdles in gaining planning consent.

Business rates present the opportunity to realise cost efficiencies within the development of onshore wind and current constitute between 10% and 20% of a new wind farm's operational cost. With diminished project viability and returns expectations, a corresponding reduction in Business Rates for new wind farms, which are not the beneficiary of state sponsored fiscal support, would help to support renewables development. Indeed, immediate clarity on future rates relief would benefit the industry in planning and assessing the viability of future developments.

**Conclusion**

Brookfield Renewable UK appreciates the opportunity to provide written evidence on the Climate Change Bill, and we remain committed to investing in Scotland.

However, given the importance of onshore wind to Scotland's renewables mix, we are concerned about the ability of Scotland to meet these ambitious targets without taking further action to support the industry. Notably, this involves taking pragmatic and sensible steps to reduce unnecessary regulatory burden that drives up the costs of development.

As part of its scrutiny of this legislation, we would urge the Committee to consider whether sufficient progress can be made in this regard.