



SMart Wind Parliamentary Reception

Speech by:

Andy Kinsella, Chairman - SMart Wind

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My Lords, ladies and gentlemen thank you for this opportunity for SMart Wind to share some time with you all.

So.....what is SMart Wind?

SMart Wind is a 50:50 joint venture between **Mainstream Renewable Power** and **Siemens Project Ventures** to develop the 4,000MW Hornsea Offshore Wind Farm, which was awarded in December 2009 under the Offshore, Round 3 programme.

Mainstream was founded in February 2008 by Eddie O'Connor, who is also the company's CEO along with his co-founder, Fintan Whelan, Mainstream's Corporate Finance Director. Eddie, as many of you know founded Airtricity, which almost three years ago was sold to Scottish and Southern Energy for just under two billion euro. Mainstream is a continuity play from Airtricity. It has three strategic pillars upon which it is building its business;

- Firstly, North America; where it has over 1,500MW of onshore development assets in Alberta, Ontario and Illinois
- Secondly, Emerging markets; where in Chile **and** South Africa it has almost 5,000MW of onshore development assets
- Thirdly, Offshore; where in the North Sea it has 5,400 MW of development assets (4,420 MW of which are in the UK [420 MW in the Firth of Forth and 4,000MW at Hornsea] and 1,000MW in Germany). This makes Mainstream the world's leading developer of offshore wind.
- Mainstream's offshore business is Head Quartered in London.

Siemens Project Ventures are the finance house within Siemens Financial Services which is Siemens' global financial business.

Siemens is one of the world's largest companies and one of the most recognisable names on the planet. The company employs 16,915 people in the UK, including about 6,000 in the manufacturing sector. Last year its revenues were £4.2 billion, including exports of over £1 billion.

Over £60 million was spent on research and development. As a leading global engineering company, Siemens provides innovative solutions to help tackle the world's major challenges, across the key sectors of energy and the environment, industry and healthcare.

Siemens has offices and factories throughout the UK, with its headquarters in Frimley, Surrey.



The broader consortium; SWP, STDL, Hochtief, BHO and Prysmian

But it doesn't stop there. In assembling our team for Offshore Round 3 we have brought together a world class grouping of leading industry players;

- (01) Siemens Wind Power is one of the world's leading Wind Turbine Manufacturers and is the clear leader in the offshore wind turbine market with over 90% market share. Siemens Wind Power have signed a Memorandum of Understanding with the Government of the United Kingdom to establish an offshore wind turbine manufacturing facility in the North East
- (02) Siemens Transmission and Distribution Ltd. is head quartered in Manchester. It is Siemens' Global Centre of Competence for wind farm interconnection. Siemens Transmission and Distribution Ltd. are one of only three suppliers worldwide of High Voltage Direct Current converter technology which is vital for the efficient transmission of power from the Wind Farms to the onshore grid.
- (03) Hochtief Construction are the third biggest construction company in the world and one of the few construction companies with an established track record in offshore wind. It is Hochtief's intent to establish a foundation manufacturing facility in the North East.
- (04) Beluga Hochtief Offshore is a joint venture company that Hochtief have established with Beluga shipping. Beluga shipping is the largest heavy lift shipping company in the world. This joint venture is committed to delivering four state-of-the-art, offshore installation specific vessels for work in the North Sea. This will see an investment of the order of £500m.
- (05) Prysmian Cables are the world's largest manufacturer of cables and in particular of high voltage submarine power cables. The old BICC group are part of Prysmian, making Prysmian a significant employer in the UK

So you can see that we have assembled a world class team, focused on delivery and committed to **not just building out one of the world's largest construction projects** but also **to delivering jobs and technological knowhow to Britain.**

It is our aim to bring as much jobs and investment to the UK and to the North East in particular, as we possibly can.

Thanks to the UK Government

I would like to congratulate the Government of the UK for creating the conditions that have made the UK the global leader in offshore wind. These conditions have now, and will, into the future, encourage investment in offshore wind, and in the supply chain.

We also welcome the commitment shown by the coalition government to date, and in particular the recent statement of Secretary of State regarding a 30% EU Greenhouse Gas reduction target by 2020.

There are over 1.3 GW of offshore wind parks in commercial operation in UK waters. This saw Britain last year over take Denmark in terms of installed capacity and make Britain the world leader in offshore. There are a further 7.4 GW in construction or nearing the end of their planning phases. There are over 49 GW in total from Round One, Round Two, Round Two extension, The Scottish Round and Round Three. The UK Government clearly gets “the big picture” in terms of addressing climate change, security of supply and securing the economic benefits for Britain of the global “mega trend” that is the renewable energy industry.

Hornsea and a UK supply chain

We are taking the first steps in our Round 3 project, Hornsea to build that “big picture” – supply chain; superclusters; skills partnership; innovation – all creating value for the UK and for Yorkshire and the NE in particular.

In fact, on completion, if SMart Wind’s Hornsea project were a standalone plc it would rank at 54th in the FTSE 100 with a market capitalisation in the region of £13 billion.

We are developing 4GW, that’s 4000MW of wind farms in the Hornsea zone, just off Humberside. The project will deliver 12% of the UK’s renewable target for 2020 and will be equivalent to 4% of the UK’s electricity consumption. The Hornsea development zone is just less than 5,000 square kilometres in area and is the same length as that of the distance from Hull to Liverpool.

We are the only non-utility solution to have succeeded in Round 3. Because of our unique consortium structure and membership we are able to parallel the design, procurement and construction phases with the consenting process. This means inherently we have all the skill sets to deliver on the consortium’s four major objectives which are;

- To be the first to deliver a fully consented zone in Round 3.
- To be the first to deliver a 500MW block to commercial operation.
- To deliver the lowest Cost of Energy lifecycle solution in the offshore wind market place.
- To bring as much jobs and investment to the UK and the North East in particular, as we possibly can.

Delivering on these objectives will not be without its challenges. I look to all gathered here today to lend us and the industry your support in meeting these challenges.



The challenges

We need to develop a **logistical, services and manufacturing “SuperCluster”** on Humberside;


Tremendous potential exists to increase UK content and provide cost stability by locating manufacturing in the UK with recent studies showing that 60,000 direct jobs can be created in the UK by 2020.

- We need to leverage the engineering and manufacturing heritage in the Humber/Yorkshire/north east region.
- Humberside, with access to large tracts of land is ideally placed to serve the North Sea.
- We need one major port on east & west coast to service offshore wind.
- The ports competition and funding – now called **“Offshore Wind Site Development Competition”** is critical to “kick start” the development of this SuperCluster.
- We would like to see confirmation of the ports competition – not because of the cash, but because it sends a strong signal to the market that the government is committed to the sector.

To deliver offshore wind – essential to meet Government 2020 targets – we need skilled people – a major bottleneck to delivery.

- We have delivered the **UK’s first dedicated Wind Energy training tower**, in partnership with One North East, Northumberland College and Narec (the New & Renewable Energy Centre in Blyth, in the North East of England);
- We have supported and delivered, through the UK’s national Wind Energy Trade Association, Renewable UK, **the UK’s first City & Guilds Wind Energy Apprenticeship Programme**, the pilot for which is already underway in Carnegie College in Scotland. This is a programme which we’re confident will become a benchmark and that will proliferate throughout Colleges in the UK, and beyond;
- We have supported the development of **the National Skills Academy for Power**, as it seeks to address the challenges facing the Renewable Sector within the wider UK Power Industry.

The Government must also play a very visible role in not just delivering in the obvious engineering and technical areas but also work with industry to ensure that the manpower and expertise is available to meet the offshore industry’s needs across all parts of the supply chain.



To help reduce the cost of energy, to open a market in electricity with our neighbours and accelerate the delivery of offshore renewable energy we need **a clear and explicit commitment to a meshed network of interconnection known as Supergrid.**

The recent Offshore Valuation Report clearly shows that by 2050 the UK could be generating the energy equivalent of 1bn barrels of oil from offshore renewables. To fully utilise this resource we need now to commit to build the electrical equivalent of the oil and gas networks that took the production from the North Sea to markets across Europe.

- We would like to see a clear and unambiguous commitment by Britain to the Supergrid.
- The current OFTO regime will result in **sub-optimal asset utilisation** as point to point interconnection effectively leaving 60% of interconnector capacity unused. It does not allow for the development of a true grid network in the future. It does not allow for optimal trading of energy across Europe.
- The current OFTO regime puts too much financial risk on the Offshore Developers. National Grid's recent contribution to the debate where they suggest that they build out the OFTO's and meet the Wind Parks in the water is an idea we welcome. It has many merits.

The Regulatory framework must support the offshore development programme;

- SMart Wind is driven by an entrepreneurial thinking and is willing to take development risks but also the regulatory frameworks such as the OFTO regime and consenting processes must support such development to make it a joint success
- We would like to see no short-term disruption to the ROC support mechanism. We need regulatory certainty to mobilize the very large amounts of investment needed to build out Round 3. In particular to meet the challenges of attracting capital into the construction phases of projects creative solutions are required in the area of credit enhancement.
- We also need regulatory certainty and joined up thinking in planning. It is difficult to see any merit in having the Communities and Local Government department as the decision maker on Offshore wind planning applications and not have this in DECC.

We are determined to see the Hornsea Zone built out in full, on time and at least cost, to play its part in meeting the UK's future needs for energy security and climate change mitigation.

It has been a pleasure to share these thoughts with you today, and I look forward to engaging with you over the coming months.