Lot C Part iii Identify the best leasing approach for Jersey

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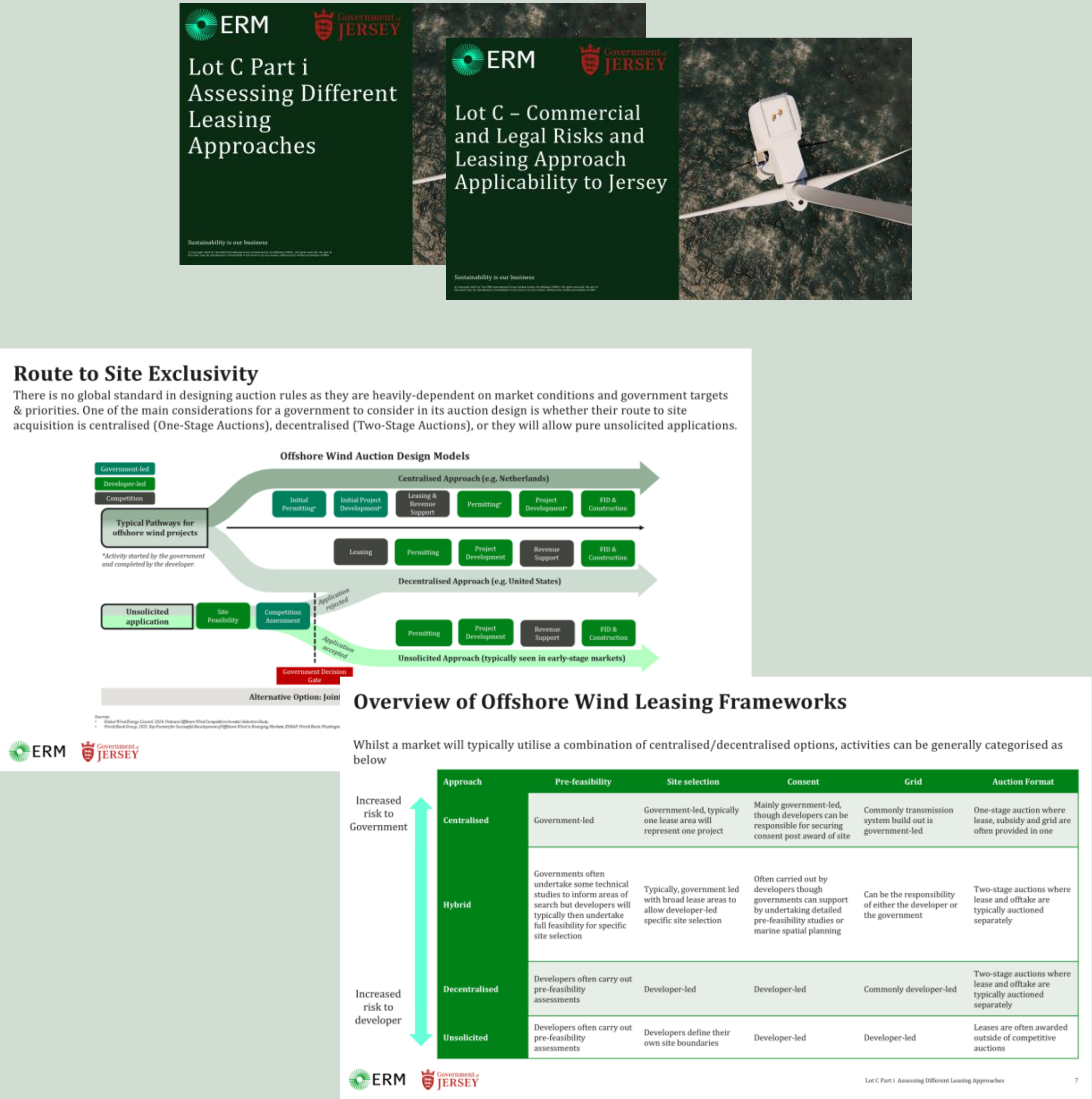
Context & Introduction

As a precursor to this report and part of the larger Lot C scope of work, ERM presented various leasing approaches used by offshore wind authorities in France, the UK, Denmark, the Netherlands, the US, and others. The purpose of this was to explore the different routes Jersey could take between now and the commissioning of an offshore wind farm, along with the applicability to Jersey.

The previous analysis outlined centralised (led by authorities), decentralised (led by developer), and open door (driven by unsolicited seabed lease applications) approaches used in other markets. These approaches were dissected into their component stages and the pros and cons of these were evaluated in the Jersey context.

As the wider context and detail has been presented in previous reports, the aim of this report is to present the various approaches identified that Jersey could take with regards to lease design and summarise their benefits / draw backs to Jersey. Determining the design and structure of the leasing framework is a crucial step to launching a successful offshore wind auction. The report identifies the optimal lease design based on the current status of the project, alongside a number of secondary options that should be taken forward for further consideration.



Executive Summary

In this report, ERM has delineated the likely optimal leasing strategy for Jersey whilst suggesting potential alternatives that should be explored in more detail. A systematic, step-by-step methodology was employed to evaluate 16 design areas of the leasing process. Using a pairwise comparison methodology, ERM mapped options within each design area. These options were then compared and contrasted to identify the optimal solution for Jersey.

Various factors have been carefully considered, with the assessment addressing the implications of risk, cost, and complexity for both governmental entities and developers. A summary of external influences on each applicable recommended approach is also provided in the table to the right, with the aim of identifying stakeholders outside of GoJ that factor into identification of the optimal approach.

This report provides a summary of the methodology and presents a description of the outcomes derived from the most effective approach for each factor, summarised to the right.

Lease design area	Identified best approach	Export market influence
Seabed lease	Jersey lease seabed to developer	Impacted by export market selection and arrangements
Auction format	One stage (lease and offtake)	Impacted by export market selection and arrangements
Pre-consent project ownership	Wholly owned by developer	
Post-consent project ownership	Wholly owned by developer	
Zone ID	Government led	
Site refinement	Developer bids for entire zone, has control and freedom within zone	
Pre-consent development	Developer	
Grid connection – Jersey	JE manages, developer funds the process	
Grid connection – France	RTE manage the process, funded through connection charges	Impacted by export market selection and arrangements
Grid connection – UK	National Grid manage the process, funded through connection charges	Impacted by export market selection and arrangements
Export route development	Developer	Impacted by export market selection and arrangements
Export route ownership – development stage	Developer	
Export route ownership – operational stage	Jersey Electricity	Impacted by export market selection and arrangements
Offtake – Jersey	Power Purchase Agreement (PPA)	Impacted by export market selection and arrangements
Offtake – France	PPA	Impacted by export market selection and arrangements
Offtake – UK	UK subsidy (Contract for Difference)	Impacted by export market selection and arrangements

Leasing Option Evaluation Methodology

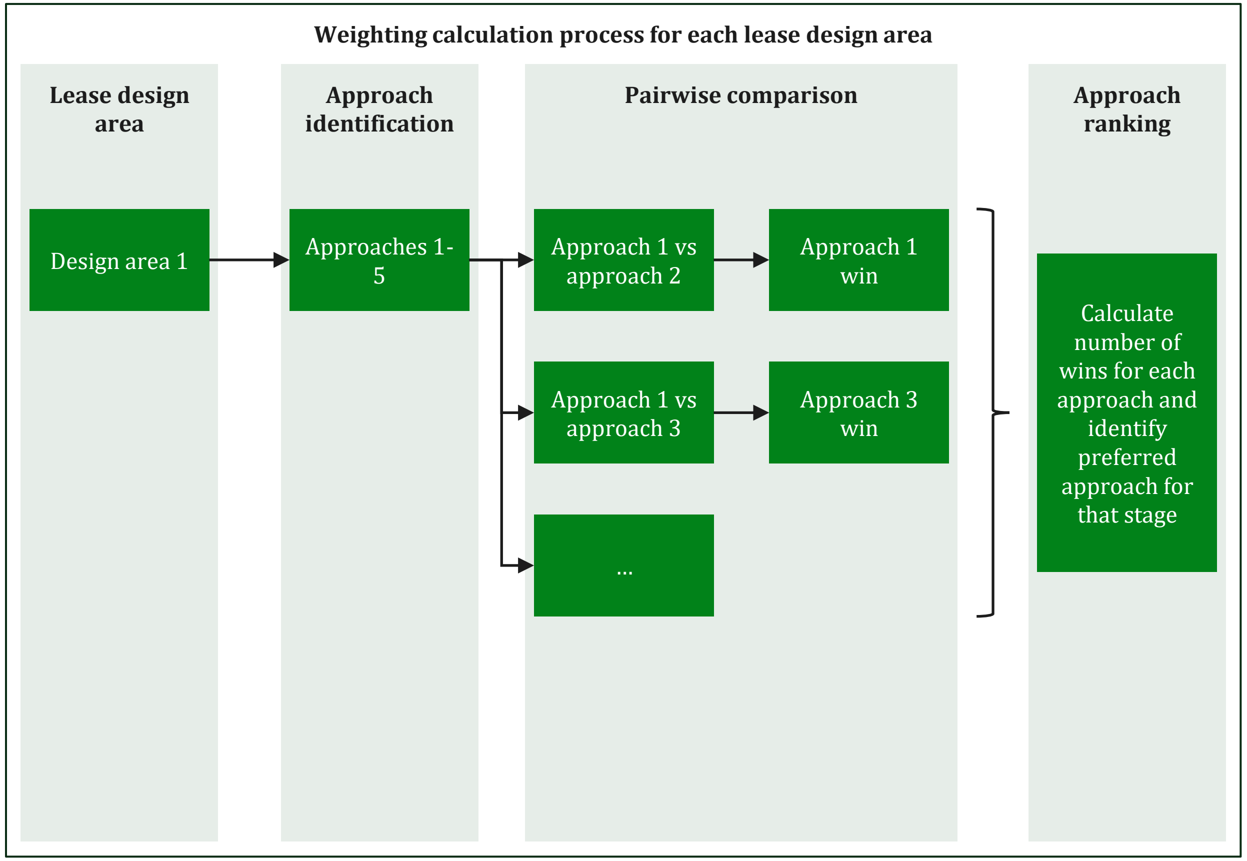
Methodology

ERM used the following step-by-step methodology to identify and ensure the lease design offers the very best approach to meet the objectives of the Government of Jersey.

1. **Design area and approach identification –** ERM identified a list of areas in the leasing process that shape the overall outcome and benefit, and the main approaches within each of them. In total, 16 areas were identified to be examined, each with a varying number of approach options.

2. **Weighting –** ERM determined a weighting for each area focussed on the most preferable outcome for Jersey. This was done using a pairwise assessment whereby ERM compared all possible approaches identified for each area in pairs, with the most preferrable of each pair given as the winner. Once the winner of each pair for a design area had been picked, the total number of wins for each approach was tallied up. A relative ranking of the possible approaches for each area was then calculated based on the number of wins of each factor. Using this technique enables the calculation of the relative importance of options using a simple, transparent logic with a numerical output. ERM conducted this assessment in a series of collaborative workshops to thoroughly assess each option and ensure the best overall outcome for Jersey. The final workshop involved verification of ERM's approach with the Government of Jersey ahead of finalising and reporting results.

3. **Stress testing and feedback loop –** To start this stage, the overall preferred approach to each lease design area was selected in the overall leasing process recommendation. Next, each selected approach was crosschecked for compatibility with the selection of the other areas. This stage served as validation and coherence checking of ERM's overall recommendation to GoJ.



Application of Leasing Approach Methodology

RESULTS

Overview of Identified Approaches

Legend

Preferred	Secondary	Ruled out

ERM identified several approaches for each lease design area, and selected a preferred option for each by weighing up risk, cost and complexity to government. Secondary options were identified for further consideration.

Seabed lease		1. Jersey lease seabed to developer	2. Jersey lease seabed to France, who lease to developer	3. Jersey lease seabed to themselves (only)	4. Jersey lease seabed to JV including themselves	5. Jersey lease seabed to UK who lease to developer	
Auction format	1. One stage (seabed lease only)	2. One stage (offtake only)	3. Two stage (separate seabed lease and offtake auction)	4. Direct award (lease)	5. Direct award (offtake)	6. Direct award (seabed and offtake)	7. One stage (lease and offtake)
Pre-consent project ownership		1. Wholly owned by developer	2. Government partial ownership (likely <50%)	3. JE partial ownership (likely <50%)	4. Wholly owned by Government	5. Wholly owned by JE	
Post-consent project ownership		1. Wholly owned by developer	2. Ownership transferred from gov to developer	3. Ownership maintained by gov	4. Ownership transferred from JE to developer	5. Wholly owned by government	
Zone ID		1. Government led		2. Developer led		3. French Gov led	
Site refinement		1. Government refine site (from zone)	2. Developer bids for refined site within zone		3. Developer presents site variations within zone	4. Developer bids for entire zone (has control and freedom within zone)	
Pre-consent development		1. Government		2. Developer		3. Gov-Dev JV	
Grid connection - Jersey		1. JE manage/fund the process	2. Developer manages/funds the process		3. JE manage, Developer funds the process	4. NA - no direct Jersey connection	

Grid connection - France	1. RTE manage the process – funded through connection charges		2. Developer manages and funds the process		3. NA - no direct connection to France
Grid connection - UK	1. National Grid manage the process – funded through connection charges		2. Developer manages and funds the process		3. NA
Export route development	1. Government		2. JE		3. Developer
Export route ownership – development stage	1. Government		2. JE		3. Developer
Export route ownership – operational stage	1. Government		2. JE		3. Developer
Offtake - Jersey	1. None	2. CfD		3. Feed in Tariff/Premium	4. PPA
Offtake - France	1. French subsidy				2. PPA
Offtake - UK	1. UK subsidy				2. PPA

ERM

Results Discussion (1)

Lease design area	Recommended approach	Details	Key considerations		
			Positive	Neutral	Negative
Seabed lease	[redacted]	[redacted]	• [redacted] • [redacted]	• [redacted]	• [redacted] • [redacted] • [redacted] • [redacted]
Auction format	[redacted]	[redacted]	• [redacted] • [redacted]	• [redacted]	• [redacted] • [redacted] • [redacted]

Results Discussion (2)

Lease design area	Recommended approach	Details	Key considerations		
			Positive	Neutral	Negative
Pre-consent project ownership	[redacted]	[redacted]	[redacted] [redacted] [redacted]	[redacted]	[redacted]
Post-consent project ownership	[redacted]	[redacted]	[redacted] [redacted] [redacted] [redacted] [redacted]	[redacted]	

Results Discussion (3)

Lease design area	Recommended approach	Details	Key considerations		
			Positive	Neutral	Negative
Zone ID	[redacted]	[redacted]	[redacted]		[redacted]
Site refinement	[redacted]	[redacted]	[redacted]	[redacted]	[redacted].

Results Discussion (4)

Lease design area	Recommended approach	Details	Key considerations		
			Positive	Neutral	Negative
Pre-consent development	[redacted]	[redacted]	▪ [redacted] ▪ [redacted] ▪ [redacted]	▪ [redacted]	
Grid connection – Jersey	[redacted]		▪ [redacted] ▪ [redacted]	▪ [redacted]	▪ [redacted] ▪ [redacted] ▪ [redacted] ▪ [redacted] ▪ [redacted]

Results Discussion (5)

Lease design area	Recommended approach	Key considerations		
		Positive	Neutral	Negative
Grid connection – France	[redacted]	▪ [redacted] ▪ [redacted] ▪ [redacted]	▪ [redacted] ▪ [redacted] ▪ [redacted]	▪ [redacted] ▪ [redacted] ▪ [redacted]
Grid connection – UK	[redacted]			
Export route development	[redacted]	▪ [redacted] ▪ [redacted]	▪ [redacted]	▪ [redacted]
Export route ownership - development	[redacted]	▪ [redacted] ▪ [redacted]	▪ [redacted]	▪ [redacted]

Results Discussion (6)

Lease design area	Recommended approach	Details	Key considerations		
			Positive	Neutral	Negative
Export route ownership – operations	[redacted]	[redacted]	[redacted]		[redacted]
Offtake – Jersey	[redacted]	[redacted]	[redacted]		[redacted]
Offtake – France	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Results Discussion (7)

Lease design area	Recommended approach	Details	Key considerations		
			Positive	Neutral	Negative
Offtake – UK	[redacted]	[redacted]	• [redacted] • [redacted] • [redacted]		• [redacted] • [redacted] • [redacted]

Conclusions/next steps

Conclusions

This report examined lease design approaches across key relevant areas, and an optimised selection based on ERM's understanding of the current status of the GoJ offshore wind programme. [redacted]

[redacted]

Given the mismatch between Jersey's energy requirements and the total project capacity, there remains a level of complexity regarding grid connection and off-take which requires further consideration and engagement with UK and French agencies.

Next Steps

As GoJ's offshore wind programme progresses, and as the context surrounding this analysis shifts, the results of the pairwise comparisons are likely to change and the overall recommendation may require reconsideration or revalidation. ERM recommend the following considerations and next steps:

→ As the project continues to evolve, the pairwise should be revisited as considerations are likely to change.

→ Once there is more clarity on offtake and the likelihood of power being landed in Jersey some of the secondary considerations can be taken up/discarded to finalise the lease design.

→ Following the above steps, the evolution of the lease design can then move into full lease design phase and the rest of the Lot C work can be carried out.

Thank you

James Taylor

Director, Southampton

Dr Huw Powell

Partner, Southampton

Taliesin Slatter

Consultant, Southampton