

Further Scottish Leasing Round (Saltire Prize Projects) Discussion Paper on Proposed Geographic Areas March 2010



1 Introduction

1.1 *The Saltire Prize*

The purpose of the Saltire Prize is to stimulate innovation across the world that will lead to delivery of commercial scale wave or tidal stream energy technology.

In striving to achieve this, the Scottish Government has set the world the following challenge:

“£10 million will be awarded to the team that can demonstrate in Scottish waters, a commercially viable wave or tidal energy technology that achieves the greatest volume of electrical output over the set minimum hurdle of 100 GWh over a continuous 2 year period using only the power of the sea.”

As set out in the Saltire Prize guidelines¹, the Grand Challenge competition period will run from June 2012 to June 2017. Within this 5 year competition period, competitors must deploy their device in Scottish Waters, generating at least 100 GWh of renewable power over a continuous two year period. The project proven to generate the most electricity over the 100GWh threshold will win the £10m Saltire Prize.

1.2 *Background*

The purpose of this paper is to seek views on proposed geographic areas that may be made available for wave and tidal stream energy projects in a leasing round managed by The Crown Estate. This leasing round will follow in the footsteps of the Pentland Firth and Orkney waters round, for which The Crown Estate has awarded agreements for lease for 1,200 MW of projects. The further round is intended to give additional opportunities for companies to develop projects and compete for the Saltire Prize.

¹ www.scotland.gov.uk/Publications/2009/01/29143753/0

This discussion paper is being presented by the Scottish Government in partnership with The Crown Estate.

The Crown Estate² owns virtually the entire UK seabed out to the 12 nautical mile territorial limit and has the rights to explore and utilise the natural resources of the UK continental shelf.

For offshore renewable energy developments, including offshore wind, wave and tidal energy projects, the Crown Estate provides site options and leases. Generally this is through leasing round competitions in certain geographic areas, whereby companies participate in tendering processes to secure leases for their chosen sites within the areas. Companies from around the world are eligible to participate.

Saltire Prize competitors will need to secure Crown Estate leases for their wave or tidal energy project sites.

Marine Scotland³ is the lead marine management organisation in Scotland. It was established on April 1 2009 as a Directorate of the Scottish Government (SG), to integrate core marine functions involving scientific research, compliance monitoring, policy and management of Scotland's seas. Marine Scotland's mission is to manage Scotland's marine environment for prosperity and environmental sustainability. There is widespread recognition of the potential of Scotland's seas to be a major producer of energy from marine renewable devices. Marine Scotland will ensure that the development of wave, tidal and offshore wind energy sectors is done in a planned and sustainable manner in the seas around Scotland, by applying best regulatory practice supported by high quality science.

Saltire Prize competitors will need to obtain licences for their wave or tidal energy projects from Marine Scotland.

2 Further Leasing Round (Saltire Prize Projects)

2.1 Strategic Environmental Assessment

In order for the Crown Estate to hold leasing rounds, it is necessary for a Strategic Environmental Assessment (SEA) process to be completed for the relevant area. In 2007, the Scottish Government published a SEA of the potential for coastal waters to the north and west of Scotland to accommodate wave and tidal stream energy projects. The report identified a very wide sea area with potential for wave power generation, and smaller areas, mainly in firths and sounds and around headlands, where tidal currents were sufficient to generate tidal power.

² www.thecrownestate.co.uk

³ www.scotland.gov.uk/About/Directorates/Wealthier-and-Fairer/marine-scotland

2.2 Scottish wave and tidal leasing rounds

Following completion of the SEA, the Crown Estate has held a leasing round for wave and tidal projects in the Pentland Firth and Orkney waters area. This leasing round was conducted during 2009, and companies awarded agreements for lease were announced on 16th March 2010. These companies will be eligible to compete for the Saltire Prize provided the capacities of their projects are suitable and they have secured the relevant consents, as set out in the Saltire Prize Guidelines.

The Scottish Government and The Crown Estate recognise that companies may be interested in developing other projects in order to compete for the Saltire Prize. Accordingly, the Scottish Government and The Crown Estate are working in partnership to establish a further leasing round in Scottish Waters.

The further round is primarily intended for parties wishing to compete for the Saltire Prize. In order to enter the leasing round process, potential competitors must propose projects capable of meeting the Saltire Prize challenge as set out above.

As per all Crown Estate leasing rounds, applicants will be subject to a rigorous competitive process before the successful applicants are awarded leases.

2.3 Proposed areas

The further leasing round will cover specific geographic areas that have been selected to give projects the best chance of being licensed, constructed and becoming operational within the Saltire Prize competition timescale. Project sites within the areas should –

- 1) Have the necessary technical resources for wave and/or tidal stream power;
- 2) Be identified as having commercial potential;
- 3) Avoid sensitive areas and have limited impacts on existing marine uses;
- 4) Have regard to the requirements of national security; and
- 5) Have access to the necessary infrastructure, or be able to access new infrastructure provided within the Saltire Prize timescale.

As part of the process for identifying the geographic scope of the leasing round, Marine Scotland has completed an exercise to identify potential areas of development. Annex A is a map showing the proposed areas, and a commentary on the areas is available in a separate Marine Scotland report.

With respect to grid availability, the Scottish Government has been in discussions with National Grid Electricity Transmission (NGET), and the electricity network businesses of Scottish and Southern and Scottish Power. It is anticipated that grid capacity will be available for projects in the proposed areas, subject to Saltire Prize applicants submitting grid connection applications at the earliest opportunity.

The Ministry of Defence has also provided views on how potential developments might impact on its activities.

Furthermore, Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) have been consulted on relevant supply chain facilities. Near to the proposed areas are companies and facilities that potential Saltire Prize applicants could employ to their advantage, developing a local supply chain.

3 Discussion on proposed areas

3.1 Purpose of this announcement

Since launching the Saltire Prize in December 2008, the Scottish Government has received considerable interest in it. It is committed to making the competition a success. With site leasing and licensing being important steps towards this, the Scottish Government and The Crown Estate are keen to ensure that the areas proposed for the further leasing round are of interest to potential Saltire Prize applicants. This is the purpose of this announcement. More formal consultation will take place once SEA and Appropriate Assessment requirements have been considered.

After the opportunity to comment closes, the Scottish Government and The Crown Estate will finalise the scope of the leasing round and work towards its commencement, which is being planned for later in 2010.

3.2 Opportunity to Comment

The Scottish Government and The Crown Estate wish to seek the views of companies involved in wave and tidal energy, in particular potential Saltire Prize applicants, and other interested parties on the proposed areas.

Specifically, we are keen to hear your views on the following questions:

- *Suitability of proposed areas:* Do you consider the proposed areas to be suitable for wave and tidal energy project development in accordance with the Saltire Prize guidelines?
- *Preference for proposed areas.* Which of the proposed areas is most suitable and attractive for wave and tidal energy project development in accordance with the Saltire Prize guidelines?
- *Specific constraints:* In your opinion, are there any specific constraints in the proposed areas that could prevent projects meeting the Saltire Prize Grand Challenge?
- *Other areas:* Are there any other areas in Scotland which you would consider suitable for projects wishing to compete in the Saltire Prize, and if so, why?

3.3 *How to respond*

The Scottish Government is leading the discussion process and responses will be shared with The Crown Estate and Marine Scotland.

Comments are welcome from potential Saltire Prize applicants from all over the world.

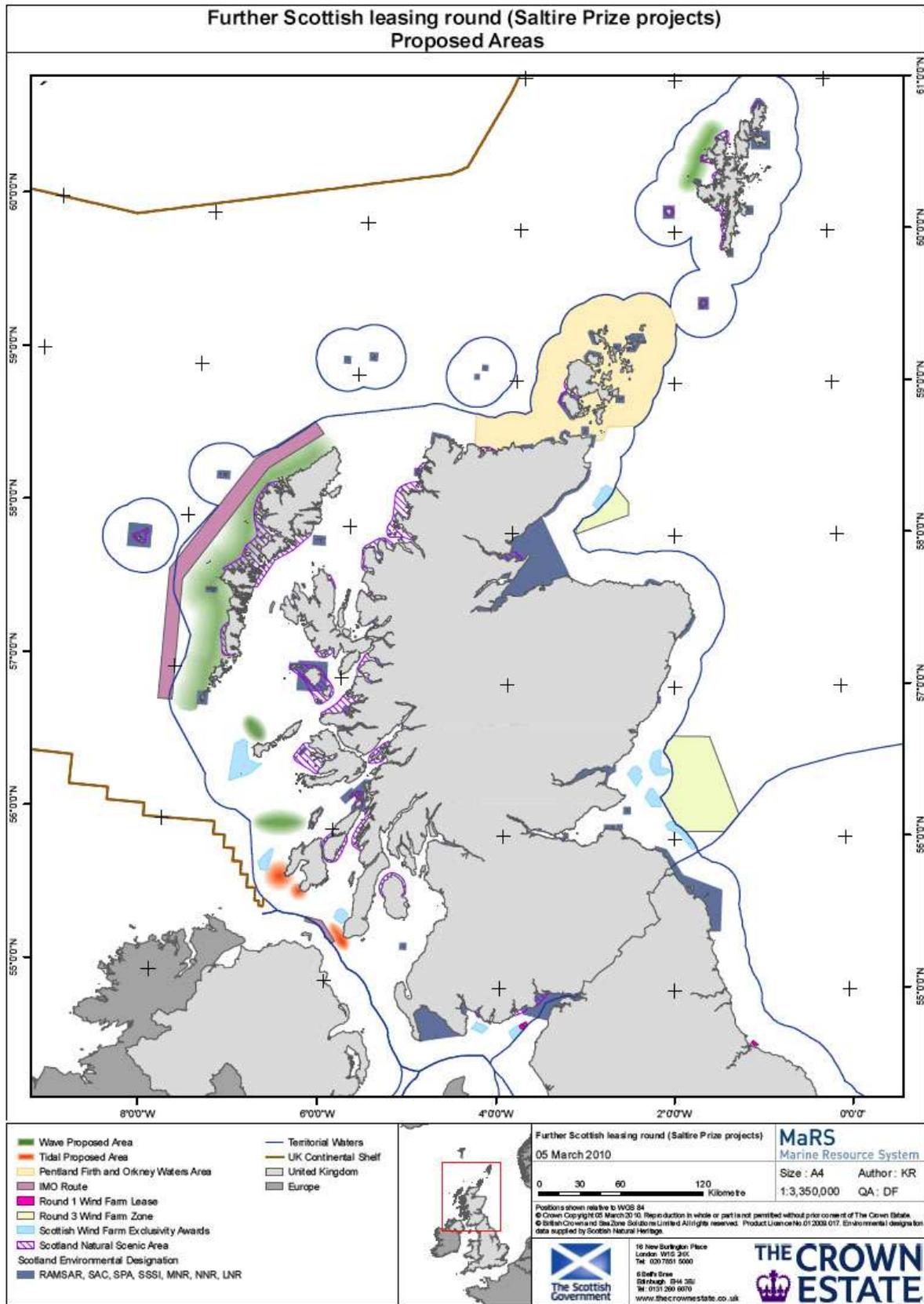
The deadline for comments is 20 April 2010.

Comments should be marked Further Leasing Round (Saltire Prize Projects) and directed to alex.reid@scotland.gsi.gov.uk.

The preferred format for responses is e-mail.

Comments or parts thereof may be published unless organisations responding specifically request they should not be, for example by marking sections 'commercial in confidence'.

ANNEX A



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