

06 May 2021

Press release

5.5GW of offshore wind projects pass first major CfD milestone

Low Carbon Contracts Company (LCCC) is delighted to announce that six projects representing 5.5GW of offshore wind capacity have now passed their Milestone Requirement (MR). The projects, detailed below, were awarded Contracts for Difference (CfD) in the third Allocation Round of the scheme (AR3), as announced in October 2019.

The projects that have passed their Milestone Requirement are:

Project name	Capacity awarded in AR3
Dogger Bank A	1,200 MW
Dogger Bank B	1,200 MW
Dogger Bank C	1,200 MW
Sofia Offshore Wind Farm	1,400 MW
Seagreen	454 MW
Forthwind	12 MW

The MR is the first significant milestone in a CfD project's journey to becoming operational, as it requires generators to demonstrate their commitment to delivering the project by:

- incurring actual spend equal to 10% of the expected development and construction costs; or
- by evidencing project commitments, including that financing is in place for the project and contracts are entered into for the manufacture and installation of material equipment for the generation and export of electricity.

The projects are due to come online in the mid-2020s, and, once operational, will typically generate around 23.9TWh of low-carbon electricity annually – enough to power over 8 million homes.

As well as providing guidance and support on the normal contractual demands of the MR, LCCC helped AR3 project teams to navigate uncertainties, including COVID-19 and a Judicial Review (JR), by applying contractual Force Majeure provisions where appropriate. The flexibility afforded by the CfD contract allowed LCCC to grant all the AR3 projects a six-month extension to their Milestone Delivery Date (MDD) in respect of the JR. LCCC granted extensions to the MDD for the four remote island wind projects facing grid connection delays. Two projects, Bulwell and Small Heath, were unable to achieve the MR by the MDD and their CfD contracts have consequently been terminated.

Neil McDermott, LCCC Chief Executive, said:

“Allocation Round 3 projects faced challenges on an unprecedented scale due to the impacts of a Judicial Review, uncertainty around EU Exit, and the global pandemic. I’m incredibly proud to see these projects pass this important milestone and I commend the determination and teamwork that went into achieving it.”

“The projects include some of the world’s largest offshore wind farms to date, so this outcome demonstrates the CfD’s vital role in supporting new low-carbon power projects to secure investment and, ultimately, in developing the ambitious infrastructure we need to power the UK’s transition to Net Zero emissions by 2050.”

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Notes to Editor:

- Low Carbon Contracts Company (LCCC) is the designated CfD Counterparty to Contracts for Difference (CfDs) and Investment Contracts awarded to generators under the government’s CfD scheme.
- The CfD scheme delivers outcomes in support of the government’s objectives of ensuring the UK has reliable, affordable, and clean electricity.
- LCCC manages a portfolio of Contracts for Difference (CfDs) with low carbon generators operating or building 18.7GW of new capacity. The current CfD portfolio consists of projects using advanced conversion technologies (ACT), biomass conversion, dedicated biomass and energy from waste with CHP, onshore and offshore wind, solar PV and remote island wind, plus the Hinkley Point C nuclear power plant.
- The results of CfD AR3 were announced by the Department for Business, Energy and Industrial Strategy (BEIS) on 20 September 2019; for more details, please see: <https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-3-results>. The typical annual generation of 23.9TWh of energy and the homes this will power was calculated using Ofgem’s Typical Domestic Consumption Values, available here: <https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/typical-domestic-consumption-values>.
- For further information on the Milestone Requirement, please refer to the Standard Terms and Conditions used in AR3 Contracts for Difference, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/799137/AR3-Standard-Terms-and-Conditions.pdf.
- LCCC’s guidance for AR3 generators on meeting the Milestone Requirement is available here: www.lowcarboncontracts.uk/publications/milestone-requirement-mr-guidance-september-2020.
- The four remote island wind projects referred to above are Muaitheabhal, Druim, Costa Head and Hesta Head.
- For more information, please visit www.lowcarboncontracts.uk or email info@lowcarboncontracts.uk.