

To: [mrf@defra.gov.uk](mailto:mrf@defra.gov.uk)

07 November 2023

The Marine Recovery Fund Team  
Department for Environment, Food and Rural Affairs  
2 Marsham Street  
London, SW1P 4DF

To whom it may concern,

**Response to: Department for Environment, Food & Rural Affairs (DEFRA) –  
Request for Information: Marine Recovery Fund (October 16, 2023)**

Scottish Renewables is the voice of Scotland's renewable energy industry. Our vision is for Scotland to lead the world in renewable energy. We work to grow Scotland's renewable energy sector and sustain its position at the forefront of the global clean energy industry. We represent over 340 organisations that deliver investment, jobs, social benefit and reduce the carbon emissions which cause climate change.

Our members work across all renewable technologies, in Scotland, the UK, Europe and around the world, ranging from energy suppliers, operators and manufacturers to small developers, installers, and community groups, as well as companies throughout the supply chain. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can provide solutions to help sustainability heat and power Scotland's homes and businesses.

Scottish Renewables (SR) welcomes the opportunity to provide our view to DEFRA's request for information on a Marine Recovery Fund (MRF) having provided SR's response to the Scottish Government's Call for Views on the MRF (August 17, 2023) attached with this response.

Our members support the establishment of one or more Marine Recovery Funds (MRF) across all parts of the UK, including Scotland, as a key delivery mechanism to facilitate strategic compensatory measures. This will be critically important to offset potential environmental impacts, reduce consenting delays and help deliver the UK Government's 50GW 2030 offshore wind target.

For this reason, **the MRF must be put in place as quickly as possible to provide a viable and accelerated route to discharge compensatory measures** for projects through existing seabed leasing rounds as well as future rounds. We note this RFI states that the UK MRF being led by DEFRA will only fund strategic compensation measures that have been approved by DEFRA Secretary of State and by Welsh Ministers. Further clarity is however needed regarding the geographical applicability of the UK MRF and the scope within which such measures will be identified, including in relation to both projects and potential measures in Scottish waters (inshore and offshore regions). We are aware that multiple Marine Recovery Funds may be established by the UK Government and Devolved Administrations for their respective jurisdictions and would

highlight the need for close interaction and collaboration to avoid duplication and ensure efficient allocation of available compensation measures to relevant projects.

We have limited our response to the General Questions rather than the specific questions regarding the options for delivery of the proposed Target Operating Model (TOM) as our members agree that insufficient detail is provided to enable a considered response on these. We have set out in our response the key questions we recommend still require answering. In response to this request for information, our member's view of the proposed operating model and options are as follows:

- The TOM appears to be predicated on the production of a plan-level Habitats Regulations Assessment (HRA) which would precede future leasing rounds. In principle, we welcome the proposal to adopt a plan-led approach rather than deferring the consideration of compensation to individual project consenting. In a Scottish context, this could be implemented through an existing process, namely regular Iterative Plan Reviews (IPRs) of the Sectoral Plans which identify suitable Plan Options for offshore wind leasing and development. However, strategic compensation measures and associated funding mechanisms are also urgently required to support live projects which have already been subject to leasing.
- **Our members therefore strongly believe that the MRF needs to be operational much earlier to support consented projects which for whatever reason require adaptive management to their consented compensation measures, enable in-flight projects under existing leasing rounds to benefit from the fund and contribute to the 2030 target and operational projects which require marine licenses for unforeseen works in or near Marine Protected Areas (MPAs).**
- Our members suggest the UK Government needs to demonstrate much greater ambition and design the MRF with sufficient speed and flexibility so it can support the significant in-flight capacity.
- Whilst we are not able to provide a detailed view of each of the options outlined, our member's overarching view is that most of the options appear to be overly complex, expensive and will take a significant amount of time to establish and become operational. Rather than focusing on the internal mechanics of how an entity (or multiple) with responsibility for operating the MRF will operate, the initial design should focus on how and when payments from developers will be calculated, received, allocated/distributed to strategic compensation measures and audited. We would strongly encourage DEFRA to resolve the fundamental question of how adequate compensation will be determined and calculated in the pre-application phase at the outset of this process before embarking on the design of complex commercial structures.
- We strongly recommend that it would be simpler and deliver greater value if the MRF was established via a public model similar to option 6, either via setting up a new well-resourced government agency or extending the remit of an existing one (e.g., Marine Management Organisation).

I trust that the concerns of our members within our response will be fully considered. Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Richardson', with a stylized flourish at the end.

**Mark Richardson**  
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## RESPONSE TO GENERAL QUESTIONS

**1. *Of the six models outlined above, which is your preferred option(s) and why? Please explain why and indicate clearly if you are covering more than 1 option.***

Our members agree that DEFRA's Request for Information does not provide sufficient detail to fully understand the implications of each of the options. However, we have a general concern that options 1 – 5 are likely to be overly complex and difficult for DEFRA to deliver effectively with long lead times to establish them and a potential lack of flexibility with regards to how they would then operate.

There remains considerable uncertainty amongst Scottish developers regarding whether the Defra-led UK MRF would be applicable to ScotWind and INTOG projects, including those outwith 12 nautical miles in the offshore region which are subject to the UK Habitat Regulations. Urgent clarity is therefore needed regarding both DEFRA's and the Scottish Government's respective positions regarding the applicability of the UK MRF to projects located within Scottish waters (including the offshore region).

It is our view that these options are likely to be expensive and will not offer value for money for billpayers. Therefore, our member's preference would be for a public model similar to option 6, with the MRF operators being an Arm's Length Body or government entity. Our response to question 2 expands on this. A split process may work best, with one system delivering government-led measures and another (environment bank type) linked to active habitat restoration.

Our members are also concerned that the TOM takes as its starting point the production of a plan-level HRA in advance of future leasing rounds. Future leasing rounds will not support meeting the 2030 target and as such, the MRF must be in place as quickly as possible and able to support the existing pipeline of projects to deliver the necessary compensatory measures.

Even in the context of the proposed TOM the MRF mustn't be just limited to projects which have been scoped in the plan level HRA as part of a future leasing round. Projects delivered under current leasing rounds may likely look to build extensions to their projects under existing leases or as part of an extension/variation to an existing lease and the MRF must have flexibility to include these sorts of projects.

**2. *Do you envision a different operating model to those proposed above or a substantial variant of any of the above?***

Our members agree that a public sector/government-led delivery model along the lines of option 6 would be preferable to the other options set out in the Request for Information. As set

out above, while there is insufficient detail to evaluate the proposed options fully, it is our view that options 1 – 5 are likely to be complex, expensive and have a long lead time to deliver.

Our view is that it would be simpler and more cost-effective to deliver the MRF through a public sector route. This could be achieved either by setting up a new well-resourced non-departmental government body to deliver the MRF or by extending the remit of an existing body, such as the Marine Management Organisation (MMO) to deliver it. Further, considering this proposed route would be optional for developers our members agree that a public sector model should have very clear aims and objectives with agreed deliverables so that the industry can be confident that funds will be spent efficiently and deliver effective outcomes.

Our members agree that developers should bear the majority cost of delivering the MRF which will ultimately be part of the overall cost of delivering electricity to consumers. We believe that it is likely to be cheaper to deliver the MRF through a public model, as it will negate the need to include a profit element (where expected returns are likely to be high to match the risk involved) and where the government could provide the initial seed funding, via The Crown Estate (TCE) and Crown Estate Scotland (CES) for example, at a lower cost. This approach would facilitate the government's and TCE/CES's responsibilities to meet certain targets for Marine Protected Area conditions, to which some compensation measures will contribute considerably. Further, this approach is also likely to avoid the significant professional fees involved in setting up the MRF under the proposed options. We reiterate that this should ultimately be cost-neutral for the UK Government.

Ultimately the Secretary of State is responsible for delivering compensatory measures under HRA and therefore the overall risk and governance of the MRF would be simpler and more effectively managed through a public sector model. Further, this model is likely to allow more scope for the fund to be flexible and adapt to changing circumstances than a single or multiple private sector provider(s) operating to a contract.

**3. *If relevant, what practical information would you need to be able to submit a robust, viable bid or engage on your preferred option(s)?***

Not applicable.

**4. *What would you consider to be the key risks to the MRFO? Where do you think these risks should sit? Examples may include resource risks, capabilities, timelines, liability transfer, subcontractors, supply chain partners etc.***

As stated above, our members agree that due to the lack of detail on the proposed options we are not able to offer a detailed view of the proposed options at present and therefore the potential risks involved.

Our members highlight the following key issues that still need to be clarified:

- **Liability Transfer:** It is not yet clear where the ultimate liability for the success of the implemented measures would lie and how potential operators of the MRF should account for this risk in bidding to manage the fund. It would not be appropriate for developers to hold any residual risk, as contributions for the MRF should be set at the latest at the point a developer is applying for a Contract for Differences (CfD) (so they can incorporate the cost into revenue models).
- **Balance of public and private sector implementation:** Many of the most effective Strategic Compensatory Measures (SCM) are passive in that they remove pressures from other human activities that allow the marine ecosystem to recover or regenerate. Most of these measures can only be implemented by the Government directly, for example, the closure of fisheries or the creation of new Marine Protected Areas (MPAs). The risk is that an expensive and complex system is established when the majority of SCM will be delivered by the Government anyway.
- **Overcompensation:** There is a risk that due to the precautionary nature of assessments against worst-case design scenarios, strategic compensatory measures are implemented that subsequent monitoring and design refinement determines are not required. This would be an inefficient use of resources and add unnecessary costs to the achievement of 2030 and 2050 targets.

**5. *How would you ensure effective governance for operating the fund?***

As stated above, the view of our members is that a public sector delivery model would not only be simpler, quicker, and more cost-effective to implement but could also deliver a simpler and more effective governance model.

The aim of the MRF should be to facilitate the delivery of offshore wind and protect the marine environment and this balance of priorities in our view best suits with the public sector rather than a private sector body.

**6. *What possible wider economic impacts, either positive or negative, do you think would occur with an MRF? Do you have any evidence to support that?***

Delivery of the MRF is a critical part of delivering the strategic compensation necessary to deliver on the UK's offshore wind and net-zero targets. As well as being critical to delivering on our energy security and decarbonisation targets, the MRF can help provide investor confidence and unlock tens of billions of pounds worth of investment in the UK economy.

**7. Do you support the future consideration of the MRF to deliver measures for marine net gain for all industries? What further consideration would be needed to operate the MRF for this?**

It is recognised that delivery of Marine Net Gain (MNG) would be more efficient if contributions were made through the MRF, as a single administrative TOM would be required rather than doubling up on administrative and QA resources. This administrative efficiency could result in a higher proportion of developer contributions being spent on delivering MNG measures. However, the UK Energy Act 2023 does not currently make provision for the MRF to deliver this function.

There are already significant and urgent challenges to establish the MRF and our members consider that the MRF should focus only on the provision of strategic compensatory measures to facilitate offshore wind at this time.

Expanding the scope will require further legislative changes and potentially further complicate the TOM and funding mechanisms. Whilst the delivery of wider MNG could be a longer-term aspiration, it should only be developed once the compensation element has been delivered and shown to be effective. Our members agree a delivery vehicle for strategic compensation must be prioritised at this stage, as provided by the UK Energy Act 2023.

**8. In your view, what would the estimated indicative overheads, profit and risk percentage split be for the MRFO and other parties (exc. Government)? How would they differ across options? If relevant to your organisation, please provide any pricing information you possess at this stage.**

Our members agree that a public sector delivery model would be the most effective means of delivering the MRF. Regardless of the model, the cost of the MRF would be borne by developers and should be cost-neutral to the Government. Further, the delivery risks are likely to be relatively high, which means that any private sector provider is likely to seek a significant return and that this risk can be managed more appropriately and cost-effectively by the government.

Ultimately it is the Secretary of State who is responsible for delivering the compensation necessary under derogation and therefore the risk.

**9. What benefits do you expect from a MRF to both industry and the wider society? These can be both monetary and non-monetary. Please provide any relevant evidence.**

The accelerated establishment and operation of the MRF are critical to delivering the UK's offshore wind and net-zero targets. As stated above, the MRF also has the potential to help provide investor confidence and unlock tens of billions of pounds worth of investment in the

UK economy, to create skilled green jobs and build sustainable and internationally competitive supply chains. In addition, offshore wind is central to enhancing our energy security ambitions.

**10. What costs do you expect from a MRF to both industry and the wider society? These can be both monetary and non-monetary. Please provide any relevant evidence.**

To quantify the financial cost of delivering the MRF is challenging but our members agree that it should be delivered as efficiently as possible as the impact will ultimately fall on billpayers. It is our view that the non-monetary impact of the MRF should be a wholly positive one. As outlined earlier in our response, it is a vital part of delivering our offshore wind targets and therefore our economic, energy security and climate change objectives.

However, we note that through the delivery of projects which while designed to compensate for the impact of offshore wind farms, the MRF would work best if it was open to delivering future Marine Net Benefit/Positive/Gain mechanisms that can help to play a positive role in tackling the nature and biodiversity crisis and improving our marine environment for all stakeholders.

**11. Is there anything else you think that Defra should consider in this process, or any more information you wish to provide? Additional information can be submitted in separate files, if necessary, but please ensure these are in Word, Excel, PowerPoint, or PDF file formats only (without macros or coding).**

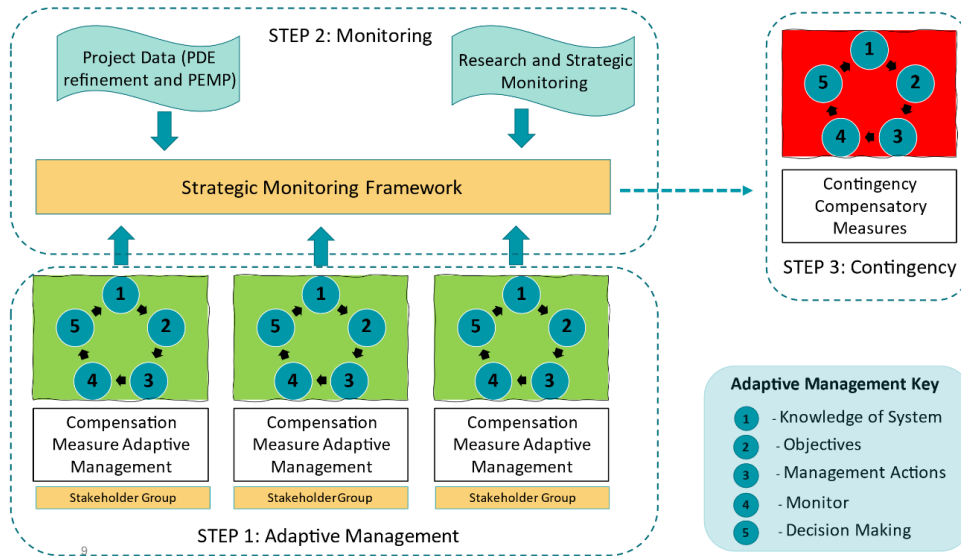
**We strongly recommend that DEFRA consider a delivery model that takes an ecosystem approach to the delivery of UK offshore wind to 2030 and 2050 rather than a narrower focus on plan-level HRAs, individual projects and compensatory measures. This should consider the collective pressures on the marine environment from human activity and would be the most effective way to manage uncertainty, deliver effective compensation and ensure that the marine environment is protected and enhanced for generations to come.**

Our members highlight this approach would have the following steps:

1. Assessment of the total likely impact from all offshore wind to deliver 50GW by 2030 and likely 2050 target of 115GW. This would provide an estimate of the total compensation required to facilitate offshore. This assessment would necessarily include a high degree of precaution based on worst-case design.
2. Identify all possible compensatory measures and likely benefits from those measures. This would include large-scale measures such as the closure of sandeel fisheries, predator eradication and establishment of new MPAs as well as smaller-scale local projects.
3. Compensation measures can then be implemented within the overall framework of adaptive management, strategic monitoring and development of contingency measures.



4. Requests for MRF funding to developers should have some contribution to the development of new measures and research. This R&D portion of the fund could include a relatively high percentage in the set-up phase and then less as the MRF operation becomes more robust.



END