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The latest market insights – what's out there?

Chaired by Claire Mack,
Chief Executive, Scottish Renewables



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Claire Mack

Chief Executive, Scottish Renewables

Eddie McAvinchey

Banking & Investments – Scotland, UK Infrastructure Bank

Fraser Dobbie

Chief Financial Officer, North Star

Tim Purton

Head of Finance for Investment, SSEN Transmission

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Export Finance Manager, UK Export Finance



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How the market is changing – the current picture

Chaired by Sarah-Jane McArthur,
Partner, Brodies



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Andrew Smith

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Iain Wintour

Partner

EY



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Reflections from RECAI

Iain Wintour, Partner, EY

Reliance |

1 May 2024



Introduction



Iain Wintour

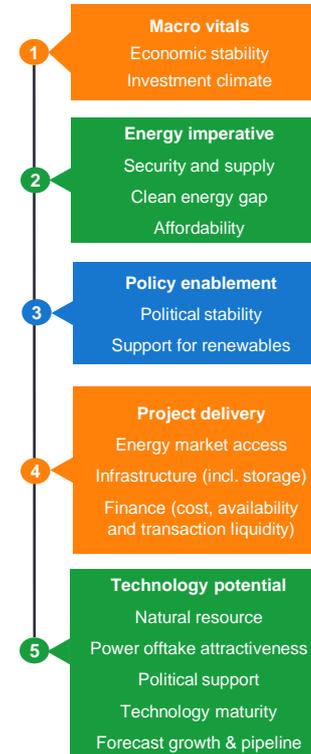
EY Tax Partner – Energy

- ▶ Partner in EY Energy tax practice providing tax advice to power, utilities and renewable energy clients.
- ▶ 20 years of professional experience specialising in tax.
- ▶ Focus on the renewable energy sector and supports clients delivering large scale infrastructure projects, particularly in relation to new developments, transactions and tax structuring issues.
- ▶ Advise clients investing in or developing renewable energy assets including solar PV, onshore and offshore wind and battery storage in the UK and internationally.

EY Renewable Energy Country Attractiveness Index (RECAI)

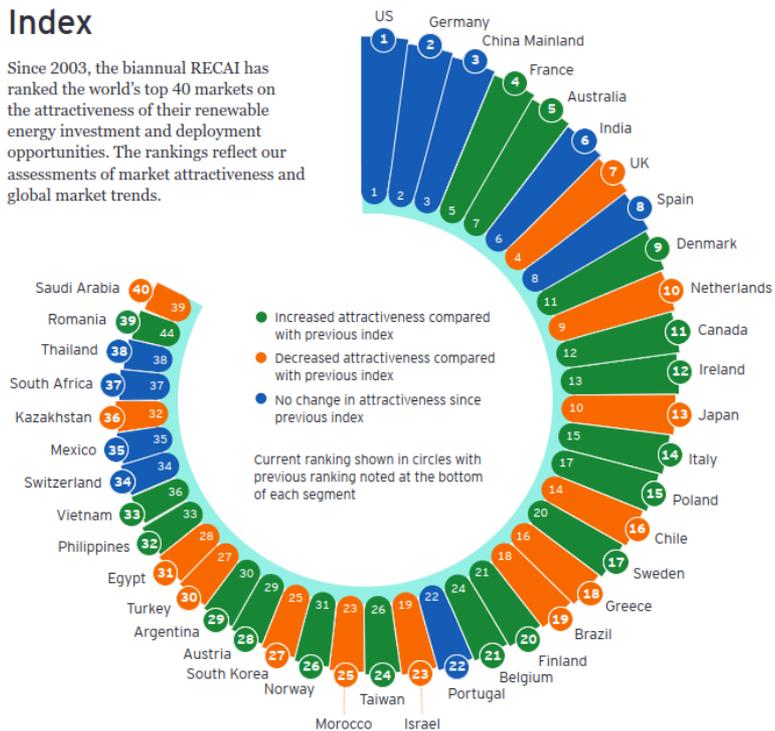
- ▶ **Ranks countries worldwide** on the attractiveness of their renewable energy investment and deployment opportunities
- ▶ Approximately **100 markets** are analysed and scored, however, only the top **40 countries** are included in the published index
- ▶ Released **6-monthly**, RECAI also provides leading market commentary and analysis on the global renewable energy sector. This includes **insight** on specific markets and key finance, transaction and policy trends
- ▶ Now in its **20th year**, RECAI has established itself as an **industry standard**, and is **frequently cited** by governments and industry leaders
- ▶ It has become a **key tool** for developers, investors and corporate decision makers on market entry strategies and transactions. It is also used by governments and multilateral organisations to help **inform policy** decisions
- ▶ Each report reaches **c.750,000** energy stakeholders via press and social media. It is publicly available online at ey.com/recai.

RECAI ranking factors



Index

Since 2003, the biannual RECAI has ranked the world's top 40 markets on the attractiveness of their renewable energy investment and deployment opportunities. The rankings reflect our assessments of market attractiveness and global market trends.



The RECAI model's energy imperative pillar has been slightly adjusted to ensure that markets with a strong and demonstrable commitment to deploying green energy are scored positively.

0 US

The US retains the top spot amid significant solar growth driven by Inflation Reduction Act incentives. Market players are putting pressure on the government regarding offshore wind requirements.

+2 Denmark

A policy allowing issuance of guarantees of origin for green hydrogen supports Denmark's role in the energy transition and is a key decarbonization factor for hard-to-abate sectors.

0 Germany

There has been significant growth in Germany's onshore wind sector, with the volume of new capacity installed by the end of September exceeding the total installed in 2022.

+1 Italy

Italy aims to increase the amount of renewables in its energy mix to 65% by 2030. New renewable capacity in H1 2023 of 2.5GW represents a 120% increase on 2022's rate.

-3 UK

The failure of Contracts for Difference (CFD) Round 5 to attract new offshore wind capacity, plus the diminishing of green policies, has left investors with reduced confidence in UK renewables.

-2 Chile

Despite lofty new battery storage targets, Chile continues to struggle with intermittency issues driven by solar curtailment throughout the country.

-3 Japan

Despite significant natural resources and a commitment to reduce fossil fuels, Japan is falling behind other leading economies in terms of solar and wind deployment.

+5 Romania

Romania is set to tender 1GW of onshore wind and 1GW of solar as the first steps in its multiyear plan to award 20GW of CFD-backed capacity.

See page 22 for RECAI methodology.

Overview of UK Attractiveness for Green Investment

UK RECAI Position

November 2022

4th

June 2023

4th

November 2023

7th

- ▶ Green investment in the UK remains **consistent** and is still seen as **attractive for overseas investment**:
 - ▶ In the EY Attractiveness Survey, UK ranked second in the amount of new FDI projects in 2023
 - ▶ £14 billion in FDI for UK net-zero businesses in 2022-2023
 - ▶ Scotland had 2nd highest number of FDI projects in 2022
- ▶ However, UK has **fallen in the RECAI index in the last two years**:
 - ▶ Failure of the fifth round of the Contract for Difference scheme to produce any new offshore wind capacity in 2023
 - ▶ Awards were instead won by onshore wind/solar projects, which meant many projects taken away from potential corporate PPAs (thinning liquidity in market and placing upward pressure on prices)
 - ▶ Inconsistent political messaging around net-zero targets decreasing investor confidence
 - ▶ General lack of new renewable energy policies
 - ▶ China overtaking UK in the amount of offshore wind capacity installed in 2022
- ▶ Offshore wind market **internationally** slowed in 2023
 - ▶ Rising costs and supply chain issues affecting developer interest
 - ▶ Particularly striking for the UK who has relied on offshore wind to remain internationally competitive
- ▶ In summary, investment in UK renewables has declined due to generally **difficult economic environment** and **decrease in the international competitiveness** of the UK for renewables

International Competition – Global Developments

Top Ranked Countries

Nov 2023 Ranking - 1st US	Nov 2023 Ranking - 2nd Germany	Nov 2023 Ranking - 3rd China	Nov 2023 Ranking – 4 th / 5 th Other
<ul style="list-style-type: none"> ▶ US was top of the RECAI index in 2022 and 2023. ▶ The Inflation Reduction Act (“IRA”) has provided a substantial number of new grants, tax credits and low-cost loans. ▶ Large boost to the green hydrogen industry from tax credits of up to \$3/kg under the IRA. ▶ Credits will also help make green steel cost competitive with that made from fossil fuels (which could strengthen demand for green steel, green cement and green glass) ▶ Significant growth in US solar industry with record production capacity expected in 2023. ▶ Increased investment in domestic manufacturing to support solar growth. 	<ul style="list-style-type: none"> ▶ 2022 Easter Package set high targets for future growth in onshore/offshore wind and solar generation. ▶ Modified the Constitution to include renewable energies as a “matter of public interest and security” demonstrating commitment to green investment. ▶ Addition of 36 new grid expansion and optimisation projects. ▶ Significant growth in onshore wind generation. ▶ Announced plans to subsidize decarbonisation of energy-intensive industry. 	<ul style="list-style-type: none"> ▶ Ambitious renewable energy targets: <ul style="list-style-type: none"> ▶ 1/3 of electricity from green sources by 2025 ▶ increase % of non-fossil fuel energy in overall consumption by 1% p.a. from 2022 to 2030. ▶ Record growth in renewable-capacity installations, which is projected to continue. ▶ Supported by energy transition needs and decreasing project costs. ▶ Launched green power certificates, with projects granted a certificate by the government for each megawatt hour of renewable power produced. 	<p><i>France</i></p> <ul style="list-style-type: none"> ▶ 10GW Offshore wind tender proposed and CfD style auctions to be held for future offshore wind allocations ▶ Ambitious target of 40GW offshore wind by 2050 set. ▶ Updating energy and climate programming law to incorporate EU climate targets <p><i>Australia</i></p> <ul style="list-style-type: none"> ▶ Granted federal approval for one of world’s largest batteries to be built (capacity to power over 1m households). ▶ Earmarked up to AU\$3bn from National Reconstruction Funding for renewables manufacturing to combat supply chain challengers in offshore wind.

How can the UK move back up the rankings?

UK RECAI Position

November 2022
4th

June 2023
4th

November 2023
7th

- ▶ How should the UK Government respond to international competition for investment, e.g. the US Inflation Reduction Act?
 - ▶ Show the UK is 'open for business' for renewables investment
 - ▶ Using tax as a carrot rather than a stick – tax incentives vs windfall taxes
 - ▶ Aligning tax policy with the policy for net zero
- ▶ What should the priorities be for the next UK and Scottish Governments to increase investor confidence in renewables?
 - ▶ Importance of clear political support and policy environment
- ▶ **RECAI 63 is due for release in June 2024**



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Strategic investment – how do we enable ahead-of-time investment?

Chaired by Iain Sinclair,
Executive Director, Global Energy Group



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Iain Sinclair

Executive Director, Global Energy Group

Clare Foster

Partner and Head of Clean Energy, Shepherd and Wedderburn

Jimmy Williamson

Executive Director – Sustainable Investment,
The Scottish National Investment Bank

Vicky O'Connor

Senior Wind Development and Investment Professional, Independent

Andy McAllister

Assistant Director - Advisory Corporate Finance,
Deloitte



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