

# Ocean Energy Forum

## Workstream 2

**Finance**

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# 1. Givens

- Most MRE very early, so uncertainties over risk and finance.
- Drivers include prioritization by EU in renewables, need for pipeline projects, roll out by 2020, 100 GW is possible with right support.
- Industry has over-promised and under-performed in the past – poor incl. getting message across, lack of common understanding, but possibly due to the nature of finance available to the industry.
- Political risk aspects over rising costs. Issue is lack of support for 2030 renewables target.
- Will need to work towards competitive technology, with all forms of energy, esp. for heating.
- Is a lack of collaboration and an acknowledged need for collaboration.

## 2. Decisions to be made

- Need for public and private funding
- Make case for investment e.g., for utilities , how it is structured, crowd funding models, consortia structure.
- Needs to be different structures for waves and tidal investments
- Need to be local links e.g., benefits, jobs, etc to engage local communities / supply chains.
- Uncertainties around cost, so need completed arrays and possible cost-reduction / risk mitigation
- Need to reduce insurance costs and risk

# 3. Opportunities

- Need for clear standards, best practice and capitalizing on existing facilities.
- Many additional benefits e.g., jobs, lower electricity costs
- Lets not reinvent the wheel – tools are similar to previous emerging industries.
- Technology gains and IRR increases.
- Learning from carbon capture
- Collaborative investment from ‘super fund’, consortia approaches, other cooperative approaches etc.
- Crowd funding, great opportunities, but needs further consideration, esp. over suitability for different scales of investment

# 4. Threats

- Crowd funding might not suit all opportunities, esp. loss of public confidence from early failures.
- State aid and grant conditionality – finance must fit the project, not vice versa.
- Technical risks: need to get it right, impacts insurance, 3<sup>rd</sup> party verification, etc
- Competition and costs (from other renewables, inc. shale and nuclear). Is also support form other areas e.g., Canada which might be a threat.
- Threat of competition between Member States, which limits whole market. Need to be pan-European in planning and captialise on MS strengths
- Social acceptance – early popularity may be lost is poor decisions are made now.

# Value drivers

## Value Driver (score)

1. Risk understood and managed throughout the supply chain (3)
2. **Money 'fit for purpose' e.g., compatibility issues with FP7 and Horizon 2020 which reduces incentives for uptake (15)**
3. Develop and maximise the supply chain (0)
4. Develop consortium approach model (4)
5. Demonstrate local content and value (1)
6. Accelerating grid access (6)
7. **Quick delivery of first project (20)**
8. Visibility of staged and transparent plan (0)
9. Demonstration of effective technology – get arrays in the water (1)
10. Creating the conditions to allow roll out of technologies e.g., consenting, tariffs, etc by 2020 (2)
11. Role for MS & EC to actively encourage private investors to engage e.g., provide match funding (1)
12. Political commitment (9)

# Value drivers and critical success factors

Value Driver	Critical success factor
Quick delivery of first project	<ul style="list-style-type: none"><li>• Need for state intervention through grant funding at this initial stage (provides legitimacy)</li><li>• Adequacy of capital grant support</li><li>• Conflicting investment offers</li><li>• Technology robustness and novel investment risks</li><li>• Ability for SMEs to offer performance / output guarantees</li><li>• Long-term security of market and MS commitments</li><li>• Need to use established infrastructure where possible to reduce risk</li><li>• Favourable consenting environment</li></ul>

# Decision roadmap

Value Driver	<2020	<2030	<2040	<2050
Decision	<ul style="list-style-type: none"> <li>• Attract people into investment</li> <li>• Investment structures</li> <li>• Diversification of wave &amp; tidal</li> <li>• Insuring developments</li> </ul>	<ul style="list-style-type: none"> <li>• Local acceptance</li> <li>• Sustainable supply chain</li> <li>• Standardisation of technology</li> </ul>		
Owner				
Action needed				
Results required				