

Norfolk Projects Offshore Wind Farms Kittiwake Funding Statement

Norfolk Boreas Limited and Norfolk Vanguard Limited
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1. INTRODUCTION

- 1.1 Norfolk Vanguard Limited (Company Number 08141115), the undertaker for the Norfolk Vanguard Offshore Wind Farm (the Vanguard Order) and Norfolk Boreas Limited (Company Number 03722058), the undertaker for the Norfolk Boreas Offshore Wind Farm (the Boreas Order) (together the Undertakers) are each a wholly owned subsidiary of Vattenfall Wind Power Ltd (Company Number 06205750) (the Company). The Company is part of the Vattenfall Group which is Europe's fifth largest generator of electricity and the largest generator of heat.
- 1.2 Norfolk Vanguard Limited is a company created specifically for promoting, developing, constructing and operating the proposed Norfolk Vanguard Offshore Wind Farm (the Vanguard Project) for which the Vanguard Order has been granted, and Norfolk Boreas Limited is a company created specifically for promoting, developing, constructing and operating the proposed Norfolk Boreas Offshore Wind Farm (the Boreas Project) for which the Boreas Order has been granted.
- 1.3 A Development Consent Order (DCO) for the construction and operation of the Vanguard Project was granted on 11 February 2022 and a DCO for the construction and operation of the Boreas Project was granted on 10 December 2021. Each of the Undertakers is the corporate body invested with the powers provided for in the Vanguard Order and the Boreas Order. Each of the DCOs requires that a number of compensation measures be undertaken to protect the coherence of the national site network. These are set out in Schedule 17 to the Vanguard Order and Schedule 19 to the Boreas Order. As part of the measures, the Undertakers must:
- 1.3.1 provide a reasonable estimate of the cost of delivery of the compensation measures;
and
 - 1.3.2 put in place either:
 - (a) a guarantee in respect of the reasonable estimate of cost associated with the delivery of the compensation measures; or
 - (b) an alternative form of security for that purpose, which must be approved by the Secretary of State.
- 1.4 This Statement explains how the Undertakers propose to fund the compensation measures.

2. THE UNDERTAKER, THE COMPANY & THE PARENT COMPANY

- 2.1 The Undertakers are each a subsidiary of the Company, which is in turn part of the Vattenfall Group which is Europe's fifth largest generator of electricity and the largest generator of heat. The Vattenfall Group works in all parts of the electricity supply and distribution: generation, transmission, distribution and sales, and generates, distributes and sells heat. The Group has approximately 19,000 employees. The parent company, Vattenfall AB (the **Parent Company**), is entirely owned by the Swedish state.
- 2.2 The Company and the Parent Company have extensive experience of the construction and operation of offshore wind farms in UK and European waters, including owning and operating the following UK offshore wind farms: the Kentish Flats Offshore Wind Farm, the Thanet Offshore Wind Farm, the Ormonde Offshore Wind Farm, the Kentish Flats Extension Wind Farm and the Aberdeen Bay Offshore Wind Farm.

3. FUNDING THE COMPENSATION MEASURES

- 3.1 The consolidated accounts of the Company for the year ended 31 December 2020 (accounts for year ending 2021 are not yet available) stated a total fixed assets of £153,765,000. The last published accounts of the Company are at Annex 2 to this Statement. The consolidated accounts for the Parent Company for the year ending 31 December 2021 stated a total assets of 395,678 million Swedish krona. This converts to approximately £31,218 million (exchange rate 1 Swedish Krona: £0.079). The last published accounts of the Parent Company are at Annex 3 to this Statement.

- 3.2 Each of the Undertakers will have the ability to procure the financial resources necessary to fund the works authorised by the Vanguard Order and the Boreas Order as applicable, including the compensation measures, subject to final Board authority. The Company and the Parent Company have the experience and reputation to enable funds to be procured.
- 3.3 Each of the Undertakers intends to secure funding for construction of the Vanguard Project and the Boreas Project as applicable, including the compensation measures, after the tender process is complete for the major construction contracts and the investment case has been satisfied. Once these criteria are met the Parent Company will take a final investment decision (FID) which will irrevocably commit funding.
- 3.4 The Company and the Parent Company, working with each of the Undertakers, are incentivised to develop a commercially viable project, given the significant development funds that have already been spent on each of the Vanguard Project and the Boreas Project, which will meet its long term objectives to increase renewable energy generation capacity. This approach is the standard model for development of capital intensive generation assets.
- 3.5 The Company has been at the forefront of financing renewable energy projects for more than 10 years. In that time, it has been involved in many significant renewable energy transactions and construction projects in the UK. The Company has considerable experience and expertise in financing renewable energy projects.
- 3.6 Given the substantial assets of the Company (and the Parent Company), and their experience of the wider industry there is no reason to believe that the required funding for the compensation measures would not be available following taking a positive FID. Until such time, it is recognised that certain aspects of the compensation measures will need to be progressed. The letter attached to this Statement at Annex 1 by the Parent Company is therefore a confirmation of its commitment to fund the estimated costs of the delivery of the compensation measures prior to a positive FID.
- 3.7 The Secretary of State can therefore be satisfied that, as a result of both the Company's experience and reputation, and that of the Parent Company, funds are likely to be available to meet the expenditure for the costs associated with the delivery of the compensation measures .
- 3.8 In summary, the Company and Parent Company have substantial net assets as well as a positive track record in the field of renewable energy development. Each of the Undertakers, the Company and the Parent Company have agreed that collectively they are able to provide the required funding for the compensation measures.

4. ESTIMATED COST OF THE COMPENSATION MEASURES

- 4.1 The development of the Vanguard Project and the Boreas Project requires that compensation measures be put in place for:
- 4.1.1 Flamborough and Filey Coast Special Protection Area: Delivery of measures to compensate for kittiwake loss.
- 4.2 Each of the Undertakers has estimated the costs associated with delivering the compensation measures for the lifetime of the Vanguard Project and the Boreas Project as applicable. The total cost for the compensation measures for both projects has been estimated as [REDACTED] as shown in the table below:

Details	Amount
Kittiwake	
Lowestoft	
- Option fee and rental payments	[REDACTED]

Nesting structure and fabrication installation	[REDACTED]
Nesting structure maintenance	[REDACTED]
Monitoring	[REDACTED]
TOTAL	[REDACTED]
Amounts guaranteed under arrangements with landowners for the compensation measures	[REDACTED]
Amount of funding remaining to be secured	[REDACTED]

4.3 These cost estimates include the costs for any necessary consents and permits, options for lease and lease agreements with the landowner of the site for the compensation measures, design and engineering work for providing the compensation measures and ongoing maintenance. These estimates are based on agreed payments to the landowner and tender responses in respect of the delivery of the compensation measures so therefore provide an informed estimate of the anticipated costs.

4.4 Certain of the arrangements already in place with the landowner to secure the land required to provide the compensation measures for kittiwakes require that security be provided to the landowner. These sums have therefore already been secured. The letter attached to this Statement at Annex 1 by the Parent Company is therefore a confirmation of its commitment to fund the remaining estimated costs of the delivery of the compensation measures up to a FID being taken that haven't already been secured by other guarantees/securities. The funds required following a positive FID will be included in the funds being made available following such positive FID.

5. CONCLUSIONS

5.1 Appropriate funding for the anticipated cost for delivering the compensation measures pursuant to the Vanguard Order and the Boreas Order will be available. For each of the Vanguard Project and the Boreas Project, the Parent Company will be the party providing the necessary funding.

5.2 The Secretary of State can therefore be satisfied both that funding will be available for the delivery of the compensation measures and also that each of the Vanguard Project and the Boreas Project is soundly backed.

ANNEX 1

Letter from Vattenfall AB (publ)



26 October 2022

This letter is sent in support of the compensation measures required to be delivered pursuant to the Vanguard Order for the Norfolk Vanguard Offshore Wind Farm (Vanguard Project) and the Boreas Order for the Norfolk Boreas Offshore Wind Farm (Boreas Project).

We assure you that we will provide continued financial support to the extent of enabling Norfolk Vanguard Limited (Company Number 08141115) to deliver the compensation measures set out in the Vanguard Order for the Vanguard Project and Norfolk Boreas Limited (Company Number 03722058) to deliver the compensation measures set out in the Boreas Order for the Boreas Project (together the Undertakers). In particular, we intend to contribute capital or provide funding should not doing so result in each of the Undertakers being unable to meet its obligations relating to the compensation measures as they fall due whilst the Undertakers remain part of the Vattenfall Group.

Vattenfall AB (publ) is the ultimate parent company of the Undertakers and notes that the estimated costs associated with the development, construction and implementation of the proposed compensation measures for kittiwakes is expected to amount to £9,944,000. We confirm that the costs of the compensation measures customarily would be financed through the existing financial arrangements in place to develop, construct and operate offshore wind farms and associated infrastructure within the Vattenfall group and will typically be included in any funding requested as part of the Undertakers seeking a financial investment decision for the Vanguard Project and the Boreas Project as applicable.

Vattenfall AB (publ) is aware that certain aspects of the delivery of the compensation measures will require to be progressed in advance of a positive financial investment decision being taken on each of the Vanguard Project and the Boreas Project. This letter is confirmation that in advance of such financial investment decision, Vattenfall AB (publ) will commit to fund the costs associated with the delivery of the compensation measures as set out in this letter, in the sum of up to £9,944,000.

Yours faithfully

For and on behalf of

Vattenfall AB (publ)

Johan Gyllenhoff

Head of Group Finance & Treasury (by PoA)

Robert Flink (by PoA)

ANNEX 2 ACCOUNTS FOR VATTENFALL WIND POWER LTD TO 31.12.2020

VATTENFALL WIND POWER LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Turnover	4	41,128	39,111
Cost of sales		(42,094)	(45,648)
Gross loss		(966)	(6,537)
Administrative expenses		(43,532)	(40,410)
Other operating income	5	43,694	38,629
Operating loss	6	(804)	(8,318)
Income from fixed assets investments	9	62,859	88,033
Amounts written off investments	15	-	(69,857)
Interest receivable and similar income	10	16,741	18,096
Interest payable and similar expenses	11	(7,306)	(8,564)
Profit before tax		71,490	19,390
Tax on profit	12	(2,535)	(775)
Profit for the financial year		68,955	18,615
Total comprehensive income for the year		68,955	18,615

There were no recognised gains and losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

The notes on pages 16 to 41 form part of these financial statements.

VATTENFALL WIND POWER LTD
REGISTERED NUMBER:06205750

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Non-current assets			
Fixed assets			
Tangible fixed assets	14	153,765	181,493
Investments	15	654,885	859,085
		<u>808,650</u>	<u>1,040,578</u>
Current assets			
Non-current assets held for sale	15	4,200	-
Stocks	16	5,961	4,875
Debtors: amounts falling due within one year	17	611,791	513,935
		<u>621,952</u>	<u>518,810</u>
Creditors: amounts falling due within one year	18	(374,648)	(542,318)
Net current assets/(liabilities)		<u>247,304</u>	<u>(23,508)</u>
Total assets less current liabilities		<u>1,055,954</u>	<u>1,017,070</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	19	(7,939)	(8,208)
Deferred taxation	22	(4,778)	(4,261)
Other provisions	23	(17,992)	(16,311)
		<u>(30,709)</u>	<u>(28,780)</u>
Net assets		<u>1,025,245</u>	<u>988,290</u>
Capital and reserves			
Called up share capital	24	787,000	787,000
Retained earnings		238,245	201,290
Total equity		<u>1,025,245</u>	<u>988,290</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Jonas Van Mansfeld
 Director

Date: juli 23, 2021

ANNEX 3

Accounts for Vattenfall AB (publ) to 31.12.2021

Capital employed		
Amounts in SEK million	31 December 2021	31 December 2020
Intangible assets: current and non-current	21,931	16,716
Property, plant and equipment	252,828	249,120
Participations in associated companies and joint arrangements	6,110	4,347
Deferred and current tax assets	11,622	14,104
Non-current noninterest-bearing receivables	3,563	3,853
Contract assets	375	416
Inventories	41,539	16,828
Trade receivables and other receivables	41,219	23,812
Prepaid expenses and accrued income	12,402	6,935
Unavailable liquidity	3,446	5,374
Other	643	483
Total assets excl. financial assets	395,678	341,988
Deferred and current tax liabilities	-36,331	-18,455
Other noninterest-bearing liabilities	-2,018	-1,994
Contract liabilities	-8,635	-8,752
Trade payables and other liabilities	-39,241	-24,912
Accrued expenses and deferred income	-18,460	-14,558
Other	-899	-232
Total noninterest-bearing liabilities	-105,584	-68,903
Other interest-bearing provisions not related to adjusted net debt ¹	-9,213	-10,619
Capital employed²	280,881	262,466
Capital employed, average	271,674	265,639

¹ Includes personnel-related provisions for non-pension purposes, provisions for tax and legal disputes and certain other provisions.

² See Definitions and calculations of key ratios for definitions of this Alternative Performance Measure.

Total assets increased by SEK 319.1 billion compared with the level at 31 December 2020, to SEK 782.4 billion (463.2). Short-term derivative assets increased by SEK 110.7 billion. Cash and cash equivalents increased by SEK 42.1 billion.