

Norfolk Projects Offshore Wind Farms Benthic Compensation Funding Statement

Norfolk Boreas Limited, Norfolk Vanguard Limited and
Norfolk Vanguard East Limited
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Author: Vattenfall

Photo: Kentish Flats Offshore Wind Farm

22 March 2023

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

We assure you that we will provide continued financial support to the extent of enabling Norfolk Boreas Limited (Company Number 03722058), Norfolk Vanguard Limited (Company Number 08141115) and Norfolk Vanguard East Limited (Company Number 12476373) (together the Undertakers) to deliver the compensation measures set out in the Boreas Order and the Vanguard Order for the Boreas Project, Vanguard West Project and Vanguard East Project. 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 benthic compensation is expected to amount to [REDACTED]. 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 Boreas Project, Vanguard West Project and Vanguard East 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 Boreas Project, Vanguard West Project and Vanguard East 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 [REDACTED].

Yours faithfully

[REDACTED]
For and on behalf of

Vattenfall AB (publ)

[REDACTED]
~~Head of Group Finance~~

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1. INTRODUCTION

- 1.1 Norfolk Boreas Limited (Company Number 03722058), is a company created specifically for promoting, developing, constructing and operating the proposed Norfolk Boreas Offshore Wind Farm (**the Boreas Project**) for which the Development Consent Order (**DCO**) for the construction and operation of the Boreas Project was granted on 10 December 2021 (**the Boreas Order**).
- 1.2 Norfolk Vanguard Limited (Company Number 08141115), is a company created specifically for promoting, developing, constructing and operating the proposed Norfolk Vanguard West Offshore Wind Farm (**the Vanguard West Project**) for the DCO for the construction and operation of the Vanguard West Project which the DCO for the construction and operation of the Vanguard West Project was granted on 11 February 2022 (**the Vanguard Order**).
- 1.3 Norfolk Vanguard East Limited (Company Number 12476373) is a company created specifically for promoting, developing, constructing and operating the proposed Norfolk Vanguard West Offshore Wind farm (**the Vanguard East Project**) which operates under part each of the Boreas Order and the Vanguard Order pursuant to a transfer of benefit which was completed on 3 March 2022.
- 1.4 Each of Norfolk Boreas Limited, Norfolk Vanguard Limited and Norfolk Vanguard East Limited are each the undertakers (each an **Undertaker** and together the **Undertakers**) for the relevant parts of each of the DCOs. The Undertakers are each ultimately wholly owned subsidiaries 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.
- 1.5 The term DCO used in this statement includes any corrections and/or amendments made, and any future material or non-material changes to the statutory instrument for the DCO. Each of the Undertakers is the corporate body invested with the powers provided for in the respective DCOs. 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 19 to the Boreas Order and Schedule 17 to the Vanguard Order. As part of the measures, the Undertakers must:
 - 1.5.1 provide a reasonable estimate of the cost of delivery of the compensation measures; and
 - 1.5.2 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.
- 1.6 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 ultimately 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 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: Kentish Flats Offshore Wind Farm, Thanet Offshore Wind Farm, Ormonde Offshore Wind Farm, Kentish Flats Extension Wind Farm and Aberdeen Bay Offshore Wind Farm.

3. FUNDING THE COMPENSATION MEASURES

- 3.1 The consolidated accounts of the Company for the year ended 31 December 2021 (accounts for year ending 2022 are not yet available) stated a total fixed assets of [REDACTED]. 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 2022 stated a total assets of [REDACTED] Swedish krona. This converts to approximately [REDACTED] (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 Boreas Project, the Vanguard West Project and the Vanguard East 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, if positive, 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 Boreas Project, Vanguard West Project and Vanguard East 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 for each of the projects. 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 Boreas Project, Vanguard East Project and Vanguard West Project requires that compensation measures be put in place for:
- 4.1.1 Haisborough, Hammond and Winterton Special Area of Conservation: Delivery of measures to compensate for cable installation and protection.
- 4.2 Each of the Undertakers has estimated the costs associated with delivering the compensation measures for the lifetime of the Boreas Project, Vanguard West Project and Vanguard East Project as applicable. The total cost for the compensation measures for the three projects has been estimated at [REDACTED] as shown in the table below:

Details	Amount
Benthic – cable installation and protection	
Identification and retrieval of marine debris	████████
TOTAL	████████

- 4.3 These cost estimates include the costs for any survey work required to confirm the presence and condition of marine debris, removal of the debris, including vessels, tools and mitigation to minimise impact on the surrounding habitat, monitoring and reporting of monitoring, success criteria, adaptive management measures and education, awareness and facilities to reduce further marine debris, and disposal of the dredged material. These estimates are based on tender responses in respect of the delivery of the compensation measures so therefore provide an informed estimate of the anticipated costs.
- 4.4 The letter attached to this Statement at Annex 1 by the Parent Company is a confirmation of its commitment to fund the estimated costs of the delivery of the compensation measures up to a FID being taken. 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 Boreas Order and Vanguard Order will be available. For each of the Boreas Project, Vanguard West Project and Vanguard East 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 Boreas Project, Vanguard West Project and Vanguard East Project is soundly backed.

ANNEX 1

Letter from Vattenfall AB (publ)

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

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Yours faithfully

[REDACTED]
For and on behalf of

Vattenfall AB (publ)

ANNEX 2
ACCOUNTS FOR VATTENFALL WIND POWER LTD TO 31.12.2021

VATTENFALL WIND POWER LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	4	[REDACTED]	[REDACTED]
Cost of sales		[REDACTED]	[REDACTED]
Gross profit/(loss)		[REDACTED]	[REDACTED]
Administrative expenses		[REDACTED]	[REDACTED]
Other operating income	5	[REDACTED]	[REDACTED]
Operating profit/(loss)	6	[REDACTED]	[REDACTED]
Income from fixed assets investments	9	[REDACTED]	[REDACTED]
Amounts written against investments	15	[REDACTED]	[REDACTED]
Profit on disposal of investments	15	[REDACTED]	[REDACTED]
Interest receivable and similar income	10	[REDACTED]	[REDACTED]
Interest payable and similar expenses	11	[REDACTED]	[REDACTED]
Profit before tax		[REDACTED]	[REDACTED]
Tax on profit	12	[REDACTED]	[REDACTED]
Profit for the financial year		[REDACTED]	[REDACTED]
Total comprehensive income for the year		[REDACTED]	[REDACTED]

The notes on pages 15 to 39 form part of these financial statements.

VATTENFALL WIND POWER LTD
REGISTERED NUMBER:06205750

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	14		
Investments	15		
Current assets			
Fixed assets held for sale	15		
Stocks	16		
Debtors: amounts falling due within one year	17		
Creditors: amounts falling due within one year	18		
Net current assets			
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	19		
Provisions for liabilities			
Deferred taxation	21		
Other provisions	22		
Net assets			
Capital and reserves			
Called up share capital	23		
Retained earnings			
Total equity			

The financial statements on pages 11 to 39 were approved by the board of directors on 12 December 2022 and signed on its behalf by:

[Redacted signature]

Date: 12 December 2022

ANNEX 3

Accounts for Vattenfall AB (publ) to 31.12.2022

Amounts in SEK million	31 Dec 2022	31 Dec 2021
Assets		
Non-current assets		
Intangible assets: non-current		
Property, plant and equipment		
Shares and participations		
Deferred tax assets		
Other non-current		
Other non-current group		
Total non-current assets		
Current assets		
Inventories		
Intangible assets: current		
Current receivables		
Current receivables, group		
Current tax assets		
Short-term investments		
Cash and cash equivalents		
Total current assets		
Total assets		
Equity, provisions and liabilities		
Equity		
Restricted equity		
Share capital (131,700,000 shares with a share quota value of SEK 50)		
Revaluation reserve		
Other reserves		
Non-restricted equity		
Retained earnings		
Profit for the period		
Total equity		
Untaxed reserves		
Provisions		
Non-current liabilities		
Hybrid capital		
Other interest-bearing		
Other interest-bearing liabilities, group		
Other noninterest-bearing liabilities		
Total non-current liabilities		
Current liabilities		
Hybrid capital		
Other interest-bearing liabilities		
Other interest-bearing liabilities, group		
Other noninterest-bearing liabilities		
Other noninterest-bearing liabilities, group		
Total current liabilities		
Total equity, provisions and liabilities		

POWER OF ATTORNEY

We hereby authorise:

- A. any two jointly of the General Counsel, at present Anne Gynnerstedt, the Chief Financial Officer, at present Kerstin Ahlfont, or the Head of Group Finance, at present Johan Gyllenhoff; or
- B. any one of the authorised persons mentioned under A together with anyone of the Treasurer (at present Robert Flink), Johan Hofgren, Annika Rönnäng or Jennie Hultin, each being an officer of Group Treasury.

on behalf of Vattenfall AB:

- 5) to issue guarantees as for its own debt, on demand guarantees and other similar guarantee undertakings, such as guarantees and indemnities for proper performance of undertakings in connection with borrowing and other transactions, provided that the guarantee only secures obligations of a (direct or indirect) subsidiary or an associated company (*ie* $\geq 20\%$ ownership) of Vattenfall AB, and (if not to a wholly owned entity) a share of such obligations which does not exceed Vattenfall AB's ownership share, and
- 6) to sign all documents they see fit in connection with any of the foregoing.

This power of attorney is valid from and including 15 December 2022 up to and including 31 January 2024.

VATTENFALL AB (publ)

