

Norfolk Projects Offshore Wind Farms Benthic Compensation Funding Statement

Norfolk Boreas Limited Norfolk, Vanguard Limited and Norfolk
Vanguard East Limited
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Photo: Kentish Flats Offshore Wind Farm

TABLE OF CONTENTS

Clause	Page
1. INTRODUCTION	3
2. THE UNDERTAKER, THE COMPANY & THE PARENT COMPANY	3
3. FUNDING THE COMPENSATION MEASURES	3
4. ESTIMATED COST OF THE COMPENSATION MEASURES	4
5. CONCLUSIONS	5
ANNEX 1.....	6
ANNEX 2.....	7
ANNEX 3.....	9

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 West 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 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 East 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 Norfolk Boreas Limited, Norfolk Vanguard West 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 2022 (accounts for year ending 2023 are not yet available) stated a total tangible 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: £0.076). 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 for Energy, Security and Net Zero 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 up to [REDACTED] a further [REDACTED] (should adaptive measures be required) as shown in the table below:

Details	Amount
1 - Identification and retrieval of marine debris from SAC in 2024 (as part of UXO ID campaign)	[REDACTED]
2 - Ghost Fishing UK – ten operations in English waters (up to 2,600kg of marine debris) Potentially all 2025 campaigns in English waters – assume same costs as above	[REDACTED]
3 - Keep Britain Tidy and Norfolk Beach Cleans – beach cleans	[REDACTED]
4 - Dive the North Sea Clean – 2x campaigns in 2024 in Dutch waters (1x campaign – removal of 9,000kg of marine debris)	[REDACTED]
5 - Ocean Clean Up – the retrieval of 102,600kg of plastic + reporting in 2025	[REDACTED]
6 - Education and awareness campaign with the Eastern IFCA and East of England Plastics Coalition	[REDACTED]
TOTAL	[REDACTED]

Table 1: Estimated costs to deliver benthic compensation

4.3 Line 1 - 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 and on success criteria. 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 Line 2 – Provides cost estimates for the work to be undertaken by Ghost Fishing UK to remove marine debris in the form of fishing gear from English waters. It is anticipated that this will involve the removal of 1,820 kg of fishing gear in 2024. These costs have been agreed with Ghost Fishing UK. There may also be a requirement to provide further funding in 2025 and it has been estimated that the costs in 2025 will be similar to the costs of the 2024 campaign.

- 4.5 Line 3 Provides costings which have been agreed with Norfolk Beach Cleans and Keep Britain Tidy for the operation of over 100 beach cleans which are anticipated to result in the removal of around 3,000kg of material from beaches on the south east coast of England.
- 4.6 Line 4 provides agreed costings with Stichting Duik de Noordzee Schoon (English Translation 'Dive the North Sea Clean') to fund two campaigns to remove an estimated 9,000kg of marine debris in 2024. One campaign will be on the Brown Bank and one off the north coasts of Belgium and France.
- 4.7 Line 5 provides estimated costs for funding The Ocean Cleanup to remove an estimated 102,600kg worth of marine plastic from the sea surface. These costs are based on The Ocean Cleanup's figures which predict that by the end of 2024 the cost of retrieving 1kg of plastic will cost 25 euros.
- 4.8 Line 6 provides agreed costs for funding the education and awareness campaign which will be delivered by the Norfolk Projects together with the East of England Plastics Coalition marine debris working group together with the Eastern Inshore Fisheries and Conservation Authority
- 4.9 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). This letter replaces our previous letter dated in March 2023 on the same topic.

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.

On 21 December 2023, Vattenfall Wind Power Ltd entered into a Share Purchase Agreement (SPA) with RWE Renewables UK Limited for the sale of inter alia Norfolk Vanguard West Limited, Norfolk Vanguard East Limited and Norfolk Boreas Limited. There is an obligation within the SPA for RWE Renewables UK Limited to replace all securities provided by Vattenfall AB in connection with the projects. The existing securities provided by Vattenfall AB will remain in place until they are replaced by RWE.

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] 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] whilst the Undertakers remain part of the Vattenfall Group.

Yours faithfully

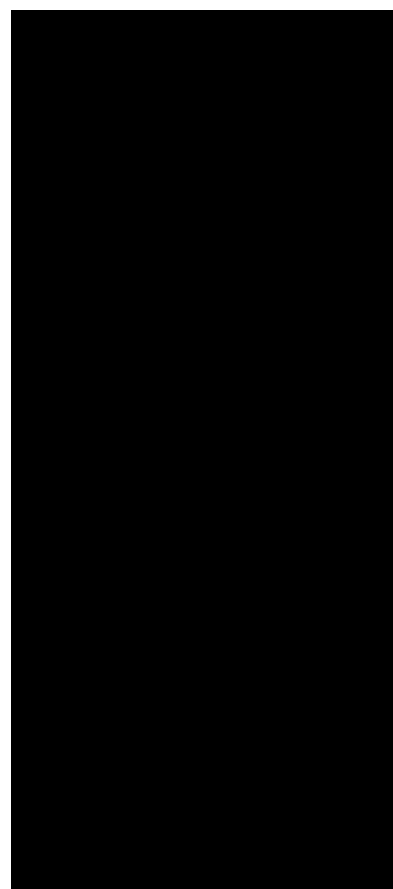
ANNEX 2
ACCOUNTS FOR VATTENFALL WIND POWER LTD TO 31.12.2022

VATTENFALL WIND POWER LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note
Turnover	4
Cost of sales	
Gross profit	
Administrative expenses	
Other operating income	5
Operating profit	6
Income from fixed assets investments	9
Amounts (written off)/reversed against investments	14
Profit on disposal of investments	
Interest receivable and similar income	10
Interest payable and similar expenses	11
Profit before tax	
Tax on profit	12
Profit for the financial year	
Total comprehensive income for the year	

The notes on pages 16 to 42 form part of these financial statements.



VATTENFALL WIND POWER LTD
REGISTERED NUMBER:06205750

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note
Fixed assets	
Tangible assets	13
Investments	14
Current assets	
Stocks	15
Debtors: amounts falling due within one year	16
Cash at bank and in hand	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	

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements on pages 12 to 42 were approved by the board of directors on 23 November 2023 and signed on its behalf by:

ANNEX 3

Accounts for Vattenfall AB (publ) to 31.12.2022

Amounts in SEK million

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