



Sheringham Shoal and Dudgeon Offshore Wind Farm Extension Projects

Appendix 5 - Derogation Funding Statement (Habitats Regulations and Marine and Coastal Access Act)

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Glossary of Acronyms

AEoL	Adverse Effect on Integrity
AfL	Agreement for Lease
CSCB	Cromer Shoal Chalk Beds
DCO	Development Consent Order
Defra	Department for Environment, Food and Rural Affairs
DEL	Dudgeon Extension Limited
DEP	Dudgeon Offshore Wind Farm Extension Project
EC	European Commission
ETG	Expert Topic Group
FFC	Flamborough and Filey Coast
FID	Final Investment Decision
GW	Greater Wash
HRA	Habitats Regulations Assessment
MCAA	Marine and Coastal Access Act
MCZ	Marine Conservation Zone
MEEB	Measures of Equivalent Environmental Benefit
MMO	Marine Management Organisation
NNC	North Norfolk Coast
NPS	National Policy Statement
NSIP	Nationally Significant Infrastructure Project
RIAA	Report to Inform Appropriate Assessment
RSPB	Royal Society for the Protection of Birds
SEL	Scira Extension Limited
SEP	Sheringham Shoal Offshore Wind Farm Extension Project
SPA	Special Protection Area
UK	United Kingdom

Glossary of Terms

ABEX	Costs incurred during the decommissioning phase of the SEP and DEP
APFP Regulations	The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009
CAPEX	Costs incurred during the construction phase of the SEP and DEP
DEVEX	Costs incurred during the development phase of the SEP and DEP
Dudgeon Offshore Wind Farm Extension Project (DEP)	The Dudgeon Offshore Wind Farm Extension site as well as all onshore and offshore infrastructure.
Equinor	Equinor ASA (company number NO923609016)
Order Limits	The area subject to the application for development consent, including all permanent and temporary works for SEP and DEP.
OPEX	Costs incurred during the operation, management and maintenance of SEP and DEP
Sheringham Shoal Offshore Wind Farm Extension Project (SEP)	The Sheringham Shoal Offshore Wind Farm Extension site as well as all onshore and offshore infrastructure.
The Applicant	Equinor New Energy Limited. As the owners of SEP and DEP, Scira Extension Limited (SEL) and Dudgeon Extension Limited (DEL) are the named undertakers that have the benefit of the Development Consent Order. References in this document to obligations on, or commitments by, 'the Applicant' are given on behalf of SEL and DEL as the undertakers of SEP and DEP.

APPENDIX 5 DEROGATION FUNDING STATEMENT

1 Introduction

1. Equinor New Energy Limited (the Applicant) is applying for a Development Consent Order (DCO) for the Sheringham Shoal Offshore Wind Farm Extension Project (SEP) and the Dudgeon Offshore Wind Farm Extension Project (DEP). When operational, SEP and DEP combined would have the potential to generate renewable power for approximately 785,000 United Kingdom (UK) homes from up to 30 wind turbines at DEP and up to 23 wind turbines at SEP.
2. As set out in the **Scenarios Statement** (document reference 9.28), whilst SEP and DEP have different ownership and are each a Nationally Significant Infrastructure Project (NSIP) in their own right, a single application for development consent will be made to address both wind farms, and the associated transmission infrastructure. A single planning process and DCO application is intended to provide consistency in the approach to the assessment, consultation and examination.
3. As part of the DCO application, the Applicant is submitting a **Report to Inform Appropriate Assessment** (RIAA) (document reference 5.4), which provides the information necessary for the competent authority to undertake an appropriate assessment to determine if there is any adverse effect on integrity (AEoI) on the national site network.
4. This Derogation Funding Statement has been developed in response to the Applicant's RIAA, which concludes for the kittiwake feature of the Flamborough and Filey Coast Special Protection Area (SPA) and the Sandwich tern feature of the North Norfolk Coast (NNC) SPA and Greater Wash (GW) SPA, that an adverse effect on site integrity cannot be ruled out due to in-combination collision risk impacts for kittiwake and in-combination collision risk and in-combination combined displacement and collision risk impacts for Sandwich tern. For all other sites and features assessed in the RIAA, a conclusion of no adverse effect on site integrity is reached.
5. In light of the Applicant's conclusions for kittiwake and Sandwich tern, the Applicant is providing a derogation case in accordance with Stage 3 (Derogation) of the Habitats Regulations Assessment (HRA) process. Additionally, in response to feedback from consultation undertaken during the pre-application period (including on the draft RIAA provided as part of the section 42 consultation) and discussions with the ornithology compensation Expert Topic Group (ETG), an in principle derogation case has also been provided with respect to the gannet, guillemot and razorbill features of the Flamborough and Filey Coast SPA. However, the Applicant's **RIAA** (document reference 5.4) concludes no adverse effect on integrity for these features and therefore the Applicant's HRA derogation case and associated compensatory measures are provided on a without prejudice basis for these species.
6. The proposed compensatory measures for kittiwake, Sandwich tern, gannet, guillemot and razorbill are set out in the following documents:
 - **Appendix 2 Sandwich Tern Compensation Document** (document reference 5.5.2);

- **Appendix 3 Kittiwake Compensation Document** (document reference 5.5.3); and
- **Appendix 4 Gannet, Guillemot and Razorbill Compensation Document** (document reference 5.5.4).

7. The Applicant's position with respect to the Cromer Shoal Chalk Beds (CSCB) Marine Conservation Zone (MCZ), based on its ecological assessments, is set out in the **Stage 1 CSCB MCZ Assessment** (document reference 5.6) which concludes that the conservation objectives of the CSCB MCZ will not be hindered by SEP and DEP. However, in response to discussions with the Seabed ETG, the Applicant is providing a derogation case, without prejudice of its position that the conservation objectives of the CSCB MCZ will not be hindered. The Applicant's proposed Measures of Equivalent Environmental Benefit (MEEB) are set out in **Appendix 1 In-Principle CSCB MCZ MEEB Plan** (document reference 5.7.1).

8. The Applicant's approach to derogation during the pre-application phase has been undertaken in accordance with the draft Overarching National Policy Statement for Energy (NPS EN-1), the draft National Policy Statement for Renewable Energy (NPS EN-3) and statements from the Secretary of State in the Hornsea Project Three, Norfolk Boreas, Norfolk Vanguard and East Anglia TWO and ONE North decisions. Further information can be found in the **Habitats Regulations Derogation Provision of Evidence** (document number 5.5) and **Marine and Coastal Access Act (MCAA) Derogation Provision of Evidence** (document number 5.7).

2 Purpose of Document

9. This Derogation Funding Statement is supplemental to the **Funding Statement** (document reference 4.2) which is submitted by the Applicant as part of its DCO application for SEP and DEP.

10. This Derogation Funding Statement forms part of the suite of documents supporting the:

- **Appendix 2 Sandwich Tern Compensation Document** (document reference 5.5.2);
- **Appendix 2 Kittiwake Compensation Document** (document reference 5.5.3);
- **Appendix 4 Gannet, Guillemot and Razorbill Compensation Document** (document reference 5.5.4);
- **Appendix 1 In-Principle CSCB MCZ MEEB Plan** (document reference 5.7.1); and
- **Strategic and Collaborative Approaches to Compensation and Measures of Equivalent Environmental Benefit** (document reference 5.8).

11. Together these documents are referred to as the "Compensation Documents".

12. This Derogation Funding Statement should be read in conjunction with the Compensation Documents.

13. References to 'compensatory measures' in this document include all of the measures set out in the Compensation Documents.
14. This Derogation Funding Statement has been prepared taking into consideration relevant guidance, including the Planning Inspectorate's Advice Note Ten (Planning Inspectorate, 2022), European Commission (EC) guidance Managing Natura 2000 sites (EC, 2018) and Defra guidance on HRA (Department for Environment, Food and Rural Affairs (Defra, 2021)). The EC (2018) guidance states that when developing compensatory measures, consideration should be given to:
 - the financial viability of measures according to the timing required; and
 - the provision of funds to cover costs, to ensure that the necessary financial arrangements are in place.
15. The purpose of this Derogation Funding Statement is:
 - to demonstrate that the costs associated with implementing the compensatory measures will utilise the same financing arrangements in place to finance the construction of SEP and DEP; and
 - to confirm that the Applicant is confident that the financial viability of SEP and DEP will not be compromised in the context of needing to deliver all or some of the compensatory measures as proposed for SEP and DEP.

3 The Project Companies

3.1 The Applicant and the DCO undertakers

3.1.1 The Applicant

16. Equinor New Energy Limited (the Applicant) (company number 06824625) is registered in England.
17. The Applicant is, via a series of 100 per cent owned subsidiary companies registered in Norway, wholly owned by Equinor ASA (company number NO923609016) (Equinor). Equinor is majority owned by the Norwegian Government (67.00 per cent) and a series of shareholders, none of whom hold more than four per cent of the shares. Equinor was partially privatised and listed on the Oslo and New York stock exchanges in June 2001, and the company was converted from a private limited company to a public limited company. The consolidated accounts for Equinor are found at Appendix 1 of the **Funding Statement** (document reference 4.2).
18. Equinor ASA is an international energy company present in more than 30 countries. The company employs 22,000 people globally, and over 650 in the UK. As a broad energy company, Equinor is committed to long term value creation in a low carbon future and aims to reach net zero emissions globally by 2050.
19. Equinor has been operating in the UK for over 35 years. It is the UK's leading energy provider and supports the UK economy by investing billions in crucial energy infrastructure, working with over 700 suppliers across the country.

20. In the UK, Equinor currently powers around 750,000 homes through its three wind farms; Sheringham Shoal Offshore Wind and Dudgeon Offshore Wind, and the world's first floating offshore wind farm, Hywind Scotland which is partnered with Batwind, the world's first battery for offshore wind. Equinor is also building the Dogger Bank A, B and C wind farm projects, which together will be the world's largest wind farm with an installed capacity of 3.6GW, capable of powering up to 6 million homes.

3.1.2 The DCO undertakers

21. The Applicant, on behalf of the project owners, applied for an Agreement for Lease (AfL) for the extension of these two wind farms from The Crown Estate. The AfL was then signed by Scira Extension Limited (SEL) and Dudgeon Extension Limited (DEL), the two companies named as undertakers in the **Draft DCO** (document reference 3.1).

22. SEL (company number 12239260) is registered in England and is a wholly owned subsidiary of the Applicant.

23. DEL (company number 12148301) is registered in England and is owned by three entities:

- Equinor New Energy Limited owns 35 per cent;
- Masdar Offshore Wind UK Limited owns 35 per cent; and
- CR Power (UK) Limited owns 30 per cent.

24. Masdar Offshore Wind UK Limited (company number 09102118) is ultimately owned by the Government of Abu Dhabi.

25. CR Power (UK) Limited (company number 11692003) is registered in England and is ultimately owned by the China Resources Power (International) Company Limited, which is registered in the British Virgin Islands.

3.2 Development scenarios

26. SEP and DEP may be delivered under a range of project development scenarios. Details of the scenarios and how these are reflected in the DCO application is set out in the **Scenarios Statement** (document reference 9.28).

27. The scenario under which SEP and DEP will be delivered will be confirmed prior to the commencement of the authorised development, and the **Draft DCO** (document reference 3.1) secures the requirement to notify the relevant planning authority and the Marine Management Organisation (MMO) as appropriate of which scenario is being undertaken.

28. The project development scenarios for SEP and DEP can be broadly categorised as:

- In isolation – where only SEP or DEP is constructed;
- Sequential – where SEP and DEP are both constructed in a phased approach with either SEP or DEP being constructed first; or
- Concurrent – where SEP and DEP are both constructed at the same time.

29. The cost estimates in this Derogation Funding Statement assume that both projects are developed, and the packages of measures proposed for each qualifying feature or (in relation to the MEEB) protected habitat is considered by the Applicant to deliver the level of compensation/MEEB required in comparable proportion (factoring in the risks and uncertainties associated with delivering successful compensation) to address the worst-case impacts of both SEP and DEP, as required by draft Defra guidance (Defra, 2021).

4 Estimated Compensatory Measures Cost

30. The Applicant's proposed compensatory measures are set out in the Compensation Documents. Where possible, a package of measures has been put forward for each designated site and interest feature, as advocated by stakeholders, to help respond to any uncertainties in the delivery or implementation of each of the proposed measures and to add resilience to the Applicant's overall approach.
31. Recognising emerging policy drivers for more collaborative and/or strategic delivery of compensation, the Applicant has also considered strategic and collaborative delivery models alongside project-led delivery of compensation. Further information related to measures proposed on a collaborative and/or strategic basis is provided in [Section 4.1](#).
32. Measures proposed on a project-led basis form the principal compensatory measures put forward by the Applicant. These measures are considered sufficient to fully compensate for the predicted impact from SEP and DEP on Sandwich tern and kittiwake and, if required, on guillemot, razorbill, gannet and the CSCB MCZ.
33. The Applicant has estimated the costs associated with developing, constructing, maintaining and monitoring the proposed project-led compensatory measures for the operational lifetime of SEP and DEP. Decommissioning costs have been included where appropriate and in the event that this is required. Further details of the proposed project-led compensatory measures are provided below with costs presented in [Table 1](#).
34. [Appendix 2 Sandwich Tern Compensation Document](#) (document reference 5.5.2) sets out the detail of a package of proposed compensatory measures for Sandwich tern from the NNC/GW SPA. This document demonstrates how the proposed compensation measures can be secured and delivered. A package of compensation measures with different delivery models is proposed including:
- Prey enhancement through sandeel stock recovery and sprat stock protection – ecosystem-based management approach (strategic delivery) – see [Section 4.1](#) for further information;
 - Nesting habitat improvements and restoration of lost breeding range at Scar Point, Loch Ryan in Scotland (project-led delivery); and
 - Improved breeding success at SPA sites other than NNC (e.g. Farne Islands SPA or Foulness SPA) (project-led delivery).

35. Natural England and Royal Society for the Protection of Birds (RSPB) have both indicated through the ETG meetings (see **Annex 1D Record of HRA Derogation Consultation**, document reference 5.5.1.4) a preference for developing an inland pool for Sandwich tern at Loch Ryan, Scotland and so the Applicant intends to progress this as the preferred project-led measure. This option (rather than the floating pontoon option) has therefore been included in the cost estimate given in this document.
36. The cost estimate for the inland pool makes provision for surveys, applications for planning permission and permits, land acquisition, design, construction and ongoing maintenance. Costs assume ongoing stakeholder engagement as well as annual monitoring and reporting from when the measure is implemented and for the operational lifespan of SEP and DEP. Costs associated with possible adaptive measures should they be required, such as increasing the area of the pool or relocating the measure, obtaining further consents or permits and land agreements have also been included.
37. The cost estimate for nest site improvements to enhance breeding success at SPA sites other than NNC makes provision for the fabrication and installation of nest boxes and shelters, including cameras to record and analyse gull predation. Costs assume ongoing stakeholder engagement as well as annual monitoring and reporting from when the measure is implemented and for the operational lifespan of SEP and DEP. Costs associated with possible adaptive measures should they be required, such as moving nest boxes/shelters to another location or replacing these with alternative or additional measures such as bamboo canes, have also been included.
38. **Appendix 3 Kittiwake Compensation Document** (document reference 5.5.3) sets out the detail of a package of proposed compensatory measures for kittiwake from the Flamborough and Filey Coast (FFC) SPA and demonstrates how the proposed compensation measures can be secured and delivered. A package of compensation measures with two different delivery models is proposed including:
- Prey enhancement through sandeel stock recovery and ecosystem-based management (strategic delivery) – see **Section 4.1** for further information; and
 - Nest site improvements to enhance breeding success (project-led delivery).
39. The cost estimate for the nest site improvements assumes making amendments to an existing onshore artificial breeding site and makes provision for land access arrangements, applications for necessary consents or permits, construction and installation. Costs assume ongoing stakeholder engagement as well as annual monitoring and reporting from when the measure is implemented and for the operational lifespan of SEP and DEP. Costs associated with possible adaptive measures should they be required, such as measures to attract birds to the structure have also been included.

40. **Appendix 4 Gannet, Guillemot and Razorbill Compensation Document** (document reference 5.5.4) sets out the detail of a package of proposed without prejudice compensatory measures for gannet, guillemot and razorbill from the FFC SPA. It demonstrates how the proposed compensation measures can be secured and delivered should they be required. A package of compensation measures with two different delivery models is proposed.
- For gannet these are:
 - Enhance the conservation of wintering and migrant shorebirds and waterfowl at Loch Ryan, Scotland (a non like-for-like compensation option with project-led delivery); and
 - Bycatch reduction research proposal – to better establish the scale and pattern of bycatch and investigate reduction measures (project-led delivery).
 - For guillemot and razorbill these are:
 - Prey enhancement through sandeel stock recovery and ecosystem-based management (strategic delivery) – see **Section 4.1** for further information; and
 - Fishery bycatch reduction (project-led delivery).
41. The cost estimate for the project-led bycatch reduction research proposal makes provision for a three-year study to better establish the scale and pattern of bycatch of gannets in Portuguese long-line fisheries alongside consideration of potential bycatch reduction measures. Costs include provision of the necessary equipment to enable monitoring, analysis and reporting and assumes ongoing engagement with a local delivery partner and local stakeholders.
42. The cost estimate for project-led bycatch reduction for guillemot and razorbill makes provision for the selection of appropriate bycatch reduction measures, followed by the implementation and management of the preferred measure(s). Costs assume ongoing stakeholder engagement as well as annual monitoring and reporting from when the measure is implemented and for the operational lifespan of SEP and DEP. Costs associated with possible adaptive measures should they be required, have also been included.
43. The without prejudice **Appendix 1 In-Principle MEEB Plan** (document reference 5.7.1) sets out details of the preferred MEEB which will be progressed to compensate for effects on the CSCB MCZ if needed. Should MEEB be required, the planting of a native oyster bed within the CSCB MCZ would be progressed as the preferred measure. Costs cover an initial pilot scheme, site-specific surveys, procurement and deployment of cultch material and oysters, a degree of adaptive management (i.e., replacement of a proportion of clutch and oyster seed), ongoing stakeholder engagement and monitoring and reporting from when the measure is implemented and lasting for the operational lifespan of SEP and DEP.

44. The estimated costs of delivering the project-led proposed compensatory measures are broken down into SEP and DEP development (DEVEX), construction (CAPEX), operation (OPEX) and decommissioning (ABEX) phases in **Table 1** below. The total cost for compensation has been estimated at £ 16.9 M¹.
45. An indicative programme for implementation and delivery of compensatory measures has been included in the Compensation Documents and the Applicant commits to continuing to develop the compensation measures ahead of final investment decision (FID). The cost estimates provided in **Table 1** thus include work required ahead of FID.
46. Cost estimates have been derived by the Applicant following consultation and advice from external specialists, including environmental consultancy firms Royal Haskoning DHV, MacArthur Green and Collaborative Environmental Advisors; land agents; and engineering consultants. Cost estimates have also been derived from similar projects where these have been available. A 25% (per cent) contingency has been applied to all cost estimates.

Table 1: Cost of delivering the project-led compensatory measures for all species

	Measure / Feature	Costs (£)	Total rounded costs (£M)
DEVEX	Habitat restoration – inland pool (Sandwich tern)	615 625	Total DEVEX 1.9
	Artificial nesting boxes/shelters (Sandwich tern)	25 500	
	Modify existing artificial nesting (kittiwake)	283 750	
	Bycatch reduction measures (guillemot and razorbill)	237 500	
	Bycatch reduction research proposal (gannet)	178 125	
	MEEB – oyster bed restoration (CSCB MCZ)	570 000	
CAPEX	Habitat restoration – inland pool (Sandwich tern)	1 607 500	Total CAPEX 6.2
	Artificial nesting boxes/shelters (Sandwich tern)	115 750	
	Modify existing artificial nesting (kittiwake)	1 150 000	
	Bycatch reduction measures (guillemot and razorbill)	2 237 500	

¹Costs are provided as real 2022 figures.

	Measure / Feature	Costs (£)	Total rounded costs (£M)
	Bycatch reduction research proposal (gannet)	612 500	
	MEEB – oyster bed restoration (CSCB MCZ)	438 248	
OPEX	Habitat restoration – inland pool (Sandwich tern)	1 462 500	Total OPEX 8.2
	Artificial nesting boxes/shelters (Sandwich tern)	301 410	
	Modify existing artificial nesting (kittiwake)	2 500 000	
	Bycatch reduction measures (guillemot and razorbill)	1 375 000	
	Bycatch reduction research proposal (gannet)	-	
	MEEB – oyster bed restoration (CSCB MCZ)	948 750	
ABEX	Habitat restoration - inland pool (Sandwich tern)	50 000	Total ABEX 0.6
	Artificial nesting boxes/shelters (Sandwich tern)	15 000	
	Modify existing artificial nesting (kittiwake)	290 000	
	Bycatch reduction measures (guillemot and razorbill)	50 000	
	Bycatch reduction research proposal (gannet)	-	
	MEEB – oyster bed restoration (CSCB MCZ)	170 000	
Total		16 834 658	16.9

4.1 Collaborative and Strategic Compensation Delivery

47. As outlined above, the Applicant has considered collaborative and/or strategic delivery of compensation as well as project-led delivery. Measures proposed solely on either a collaborative or strategic basis, are those that would be more appropriate to be taken forward as part of a collaborative approach with other developers, or a strategic approach by Government and industry, or a combination of the two.
48. The Applicant considers prey enhancement through sandeel stock recovery and, for Sandwich tern, sprat stock protection as part of an ecosystem-based management approach to be the most effective means of compensating for predicted impacts to the breeding Sandwich tern at NNC/GW SPA and populations of kittiwake, guillemot and razorbill at FFC SPA (where required). This measure would involve increasing prey availability by reducing fishing pressure in the southern North Sea and would therefore require Government action to implement.
49. Given the significant potential of such an action to provide far greater compensation than even the most precautionary estimates of losses incurred due to SEP and DEP and offshore wind in total, prey enhancement measures could form a valuable part of the compensation proposals for SEP and DEP but is a measure that could only be delivered strategically.
50. Measures considered on a solely collaborative basis include:
- Construction of new artificial breeding sites onshore or offshore (for kittiwakes); and
 - Predator eradication from a breeding colony (for guillemot and razorbill).
51. The Applicant also recognises the potential for collaborative opportunities (i.e., through a partnership arrangement with one or more other offshore wind farm developer) with respect to the follow measures which are also proposed on a project-led basis:
- Bycatch reduction for guillemot and razorbill;
 - Bycatch reduction research proposal for gannet; and
 - Oyster restoration within the CSCB MCZ.
52. Measures considered in the context of the collaborative delivery model do not currently form a component of the package of compensatory measures proposed for SEP and DEP but rather represent alternative options that may be available to the Applicant in the near future.
53. As set out in the Compensation Documents, the Applicant has also identified the option for contributions to a strategic compensation fund such as the Marine Recovery Fund announced in the 'British Energy Security Strategy' (HM Government, 2022) as an alternative strategic measure.

54. Costs associated with the delivery of collaborative and/or strategic compensatory measures have not been included in the cost estimate outlined in **Table 1** given the uncertainty that remains around the details and exact timings of a functioning collaborative or strategic delivery mechanism, and whether this will become available within the necessary timescales for SEP and DEP. Further information on the Applicant’s position and proposed approach to collaborative delivery of ecological compensation and MEEB is provided in the **Strategic and Collaborative Approaches to Compensation and Measures of Equivalent Environmental Benefit** (document reference 5.8).

5 Funding

55. The Applicant has assessed the commercial viability of SEP and DEP in light of the information on compensatory measures costs set out above and is confident that SEP and DEP will be commercially viable based on the reasonable assumption that the projects receive the key consents they require, including the DCO, and a FID is taken for each project, indicating the final unconditional decisions of the shareholders to invest in the construction of SEP and DEP respectively and associated infrastructure.
56. Given the substantial assets of the Applicant and its ultimate parent company as well as the reputation of the Applicant as an offshore wind farm developer thereby giving confidence to future investors, it is clear that SEP and DEP will be sufficiently funded, including the costs of implementing the necessary compensatory measures.
57. Further details on project costs and the funding available to SEP and DEP can be found in the **Funding Statement** (document reference 4.2).

6 Conclusion

58. Based on the information set out in this Derogation Funding Statement, the Secretary of State can be satisfied that the financial viability of SEP and DEP will not be compromised by the delivery of all or some of the compensatory measures proposed by the Applicant and set out in the Compensation Documents, and furthermore that these compensatory measures can be financed through the existing financial arrangements in place to develop, construct and operate SEP and DEP.

References

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