



# Triton Knoll Offshore Wind Farm Limited Triton Knoll Electrical System



**Appendix 12: Comparison  
Funding Statement Document  
(Revision A to Revision B)**

**Date: 1<sup>st</sup> February 2016**

**Appendix 12 of the Applicant's  
Response to Deadline 5**

# Triton Knoll Offshore Wind Farm Limited

## TRITON KNOLL ELECTRICAL SYSTEM

### **Funding Statement**

April 2015

**Document Reference: 4.2**

**The Infrastructure Planning (Applications: Prescribed Forms and  
Procedure) Regulations 2009, Regulation 5(2)(h)**

Triton Knoll Offshore Wind Farm Limited

**Triton Knoll Electrical System**

Funding Statement

April 2015

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Date of Approval	10 <sup>th</sup> April 2015
Revision	

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## 1 SUMMARY

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- 1.1 This Funding Statement (“the Statement”) has been prepared to support an application (“the Application”) by Triton Knoll Offshore Wind Farm Limited (“TKOWFL”) to the Secretary of State, under the Planning Act 2008 (“the 2008 Act”), for the Triton Knoll Electrical System (“TKES”) Development Consent Order (“the Order”) which would grant powers to construct and operate an electrical system to connect the consented Triton Knoll Offshore Wind Farm (“TKOWF”) to the national grid.
- 1.2 TKOWFL is a joint venture owned in equal shares by RWE Innogy UK and Statkraft UK.
- 1.3 [TKOWFL’s original Funding Statement was submitted with the application April 2015.](#)
- ~~4-21.4~~ [As indicated in TKOWFL’s responses to the Examining Authority’ Second Questions for Deadline 4, and as referenced in the oral hearings, TKOWFL considers that an update to the original Funding Statement would assist the Examining Authority. It is perhaps unsurprising, given, amongst other things, the dynamism of financial markets and the progressive increase in experience of funding such infrastructure projects, that an update may become appropriate during the Examination process](#)
- ~~4-31.5~~ This Statement provides details of the funding which is in place for the acquisition of the onshore land and interests required for the construction of the TKES (including in respect of any claims for blight which may be brought as a consequence of compulsory acquisition).
- ~~4-41.6~~ This Statement also provides details of the funding required for the construction of TKES itself.
- 1.7 [The responsibility for funding the acquisition of land and interests, along with the construction of the TKES ultimately lies currently with RWE AG \(listed in Germany\), via its subsidiary RWE Innogy UK Limited and by Statkraft SF, via its subsidiary Statkraft UK Limited.](#)
- 1.8 [The offshore wind sector in the UK has recently experienced a shift towards a ‘project finance’ model to finance the construction of wind farms and their transmission assets. TKOWFL and its shareholders are actively considering such a solution to finance TKOWFL.](#)
- 1.9 [The adoption of a project finance solution has the potential benefit of diversifying finance sources and therefore further enhancing the](#)

creditworthiness of TKOWFL and enhancing funding options of the Project as a whole.

1.5 ~~The acquisition of land and interests, along with the construction of the TKES will be ultimately funded by RWE AG (listed in Germany), via its subsidiary RWE Innogy GmbH and by Statkraft SF, via its subsidiary Statkraft AS. Barring any unprecedented and currently unforeseen circumstances, no funding shortfalls are anticipated.~~

## 2 INTRODUCTION

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- 2.1 This Statement is to be read in conjunction with the Statement of Reasons (Application Document 4.1) which accompanies the Application for the Order.
- 2.2 The TKOWF is located approximately 33km (20.5 miles) east of the Lincolnshire coast, and comprises a Nationally Significant Infrastructure Project (“NSIP”) under section 15(3) of the Planning Act 2008. An application for a Development Consent Order (“DCO”) for TKOWF was submitted to the Planning Inspectorate (“PINS”), on behalf of the Secretary of State, in accordance with the requirements of the Act in January 2012.
- 2.3 The Secretary of State granted a DCO for the TKOWF on 12th July 2013.
- 2.4 The development consent granted by the TKOWF DCO comprises the offshore array of up to 288 turbines with a maximum generating capacity of up to 1200MW together with associated intra-array cabling and up to four Offshore Substation Platforms<sup>1</sup>. The TKOWF DCO application did not include associated electrical infrastructure such as offshore export cables, onshore cables, and associated substations necessary to transport power onshore for connection to the National Grid. It is this electrical system to which the current Application, and therefore this Funding Statement, refers.
- 2.5 The TKES (hereafter referred to as “the Project”) would provide the necessary electrical system infrastructure to connect the consented TKOWF to the national grid and would include the following:
- A sub-sea grid connection from the consented offshore substations within the offshore array to a landfall north of Anderby Creek on the Lincolnshire coast;
  - Onshore connection works which come onshore at Anderby Creek, comprising up to six underground cables and transition joint bays connecting the offshore and onshore cables;

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<sup>1</sup> Following detailed technical and commercial optimisation studies undertaken by TKOWFL, together with discussion with the Crown Estate, it was subsequently decided that the scheme would be taken forward as a 900MW project. This is considered to make better use of the site within the offshore array’s consented boundary. Further explanation on the impacts of this decision on the TKES is given in the Site Selection and Design Report (Document 8.7).

- An onward 60km onshore underground cable route, comprising up to six underground cables and associated works;
- A new intermediate electrical compound (IEC) east of the village of Orby, mid-way along the combined offshore and onshore cable route
- A new substation to the north west of the existing National Grid Bicker Fen 400kV substation at Bicker Fen;
- Up to 4 onshore High Voltage Alternating Current (“HVAC”) power circuits to transmit electricity from the Triton Knoll substation to the existing National Grid Bicker Fen substation.
- Creation of a new permanent access road to the new substation from the A17;
- 26 new temporary construction compounds, including new accesses from the closest highway where necessary;
- Up to 200 accesses for surveying, site fencing and maintenance, including new accesses from the closest highway where necessary (included to secure right of access only);
- Offsite highways works to accommodate the transport of abnormal loads, including removal and reinstatement of hedgerows to facilitate road widening, removal of bollards, lampposts and ground levelling; and
- Landscaping works including planting and earthworks.

2.6 The TKES would also include associated development consisting of:

- unlicensed works<sup>2</sup> at the National Grid substation at Bicker Fen including cable ducts and cabling and the creation of connection bays housing circuit breakers, cable sealing ends, dis-connectors, surge arrestors, transformers, busbars and busbar clamps, measuring equipment and relay/marshalling rooms;
- and further associated development including

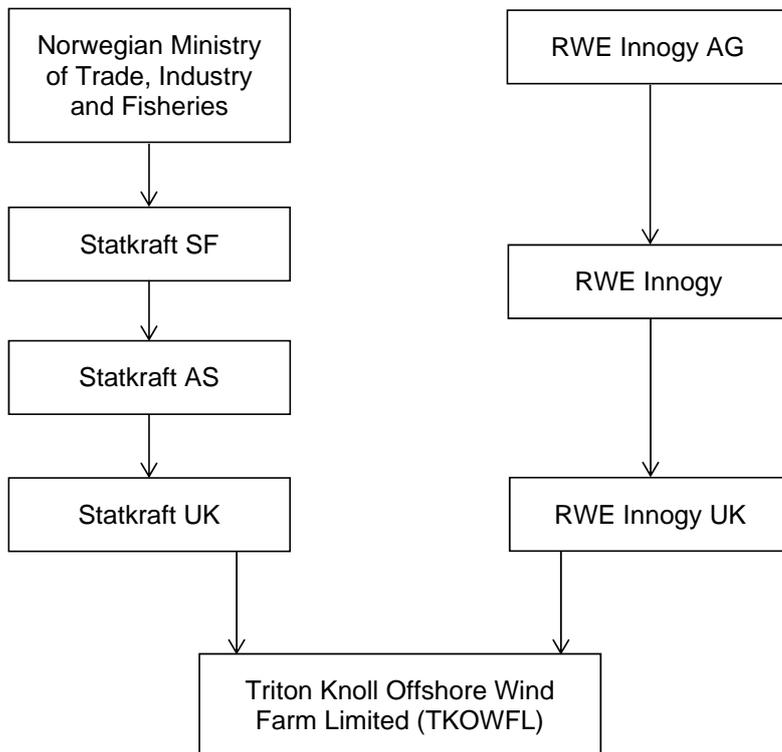
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<sup>2</sup> “Unlicensed works” are electrical works needed to connect Triton Knoll to the National Grid substation at Bicker Fen that National Grid is not required pursuant to its transmission licence to carry out itself, means works needed to connect the Project to the National Grid substation at Bicker Fen that National Grid is not required, pursuant to its transmission licence, to carry out itself, including but not limited to cabling, cable sealing ends, circuit breakers, surge arrestors, dis-connectors, transformers, busbars and busbar clamp measuring equipment, relay marshalling rooms, and electrical earthing work.

- ramps, means of access and footpaths;
  - bunds, embankments, swales, landscaping and boundary treatments;
  - habitat creation;
  - boreholes;
  - jointing bays, manholes, link boxes and other works associated with the installation of cable ducts and cable laying including trenchless techniques for laying the onshore cables beneath watercourses and roads and launch and receptor pits for trenchless techniques;
  - water supply works, foul drainage provision and surface water management systems;
  - temporary structures including those needed to facilitate the crossing of watercourses including bailey bridges;
  - temporary construction laydown areas and compounds, including accesses and their restoration;
  - temporary drilling and tunnelling compounds and working areas and their restoration;
  - works to remove, reconstruct or alter the position of apparatus including mains, sewers, drains, cables and pipelines; and
  - such other works as may be necessary or expedient for the purposes of or in connection with the relevant part of the authorised project.
- 2.7 A full technical explanation of the TKES is contained in Volume 2, Chapter 1 and Volume 3, Chapter 1 of the Environmental Statement (“ES”) (Application Document 6.2) accompanying the Application for the Order.
- 2.8 The TKES is being developed by TKOWFL, which is a joint venture owned in two equal shares between RWE Innogy UK Limited and Statkraft UK Limited.
- 2.9 RWE Innogy UK is the UK subsidiary of RWE Innogy and one of the UK’s leading renewable energy developers and operators.
- 2.10 RWE Innogy pools the renewable energy expertise and generating plant of the RWE Group, and currently has 3.1GW of renewable capacity in operation. RWE Innogy is fully committed to growth in renewable energy across Europe and the UK. RWE Innogy are committed to developing and operating renewable energy projects to produce sustainable electricity. The company operates 22 hydroelectric power schemes, 32 onshore wind farms and 2 offshore wind farms, including the UK’s first major offshore wind farm, North Hoyle. RWE Innogy UK is a sister company to RWE npower, a leading UK energy company with around 5.4 million customer accounts.

- 2.11 Examples of RWE Innogy's track record of offshore delivery are provided in section 10 to the Statement of Reasons (Application Document 4.1) which accompanies the Application.
- 2.12 RWE Innogy has substantial financial resources in its own right, plus, as a wholly owned subsidiary, it has the vast financial backing of RWE AG. RWE AG is one of Europe's five leading electricity and gas companies, with significant expertise in oil, gas and lignite production, in electricity generation from gas, coal, nuclear and renewables, and in energy trading as well as electricity and gas distribution and supply. Standard & Poor rated RWE AG as BBB+ stable as of November 2014. At September 2014 RWE AG had €83.2billion in total assets (Report on the First Three Quarters of 2014, November 2014).
- 2.13 Statkraft UK Limited is the UK subsidiary of Statkraft Group. Statkraft is a leading company in hydropower internationally and Europe's largest generator of renewable energy. The Group produces hydropower, wind power, gas power and district heating and is a global player in energy market operations. Statkraft has 3,700 employees in more than 20 countries.
- 2.14 Statkraft AS is the parent company of Statkraft UK. Statkraft AS is fully owned by Statkraft SF, which is 100% owned by the Norwegian Ministry of Trade, Industry and Fisheries.
- 2.15 Since 2006, Statkraft has invested £1.4 billion in the UK's renewable energy infrastructure and provided 2.5 GW of renewable energy Power Purchase Agreements (PPA's). Statkraft's renewable energy generation assets have a capacity of 900MW and the company is the majority owner and operator of three onshore wind farms, a major shareholder in two offshore wind farms, and owns and operates the largest hydropower plant in England and Wales.
- 2.16 Statkraft entered the offshore wind sector in 2009, and has since been working towards implementing its strategy to become a lead developer in all phases of the project life cycle. In 2014 Statkraft took over O&M (operations & maintenance) responsibility for the 317MW Sheringham Shoal offshore wind-farm. In July 2014 Statkraft, in partnership with Statoil (as operator) and Masdar, made an investment decision on the 402MW Dudgeon offshore wind farm in the Greater Wash.
- 2.17 Statkraft and RWE Innogy are members of the Forewind consortium, looking to bring forward consents for the Dogger Bank offshore wind zone in the North Sea. Forewind secured consent for the first two projects, of 2,400MW, in February 2015, with a further up to 2,400MW expected to follow in August 2015.

- 2.18 At the end of 2014, Statkraft AS had NOK (Norwegian Krone) 167.8billion in total assets and made a net profit of NOK 3.9billion (Interim Report, Q4 2014). Standard & Poor rated both Statkraft AS and Statkraft SF as A- in their rating report of 2014.
- 2.19 RWE Innogy and Statkraft are global leaders in renewable energy, long term investors in the UK renewables sector and together have interest in more than 6,500MW (pro rata) of offshore wind assets<sup>3</sup>.



**Figure 1: Triton Knoll Offshore Wind Farm ownership structure.**

<sup>3</sup> Figure relates to construction, operation and development.

### 3 COST OF ACQUIRING LAND AND INTERESTS (SUBJECT TO COMPULSORY ACQUISITION)

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3.1 TKOWFL is a joint venture ultimately owned by two large utility companies, each with a sound financial standing: RWE AG listed in Germany, and Statkraft SF.

3.2 TKOWFL has taken professional advice regarding the estimated cost of acquiring the land and interests required to deliver the TKES and is satisfied that the requisite amount of funding is available to meet this cost.

3.3 The funding required in relation to land assembly will be provided by TKOWFL and/ or its two aforementioned parent companies. Both groups have made allowances for the cost of funding the land assembly for TKES, as they would with any large infrastructure project they undertake, and have ensured that the necessary funds will be available when they are due.

~~3.3.4~~ While it will not therefore be necessary to obtain any third party funding in respect of the land assembly requirements of TKES, there is noted below the potential for third party funding to be considered as an option. Both groups have made allowances for the cost of funding the land assembly for TKES, as they would with any large infrastructure project they undertake, and ensure that the necessary funds will be available when they are due.

3.5 The process for governance of the project's budget (which feeds into the drawing of funds from shareholders to meet development expenditure) is managed by the board through 'decision gates'. Decision gates are periodic governance reviews undertaken by the board of TKOWFL. The purpose of the decision gate process is to allow shareholders (through their representatives on the TKOWFL board to review, interrogate and approve the Project budget, business plan and programme (along with other governance checks of the key Project strategies). The next decision gate is scheduled for May 2016 when the shareholder representatives on the board of TKOWFL will review the updated budget for the Project and are expected to proceed to approve funding for the period until the next 'decision gate' in Q1 2017.

#### Finance Strategy – Project Financing

3.6 In addition to shareholder funds, TKOWFL is developing a funding strategy that includes active consideration of 'project finance' as a likely source of a proportion of the finance required to build the TKES, and therefore fund land assembly requirements.

3.7 Project finance is a process by which the investment required to build and operate an asset is borrowed principally from commercial banks and multilaterals (e.g. European Investment Bank). These banks secure their debt by taking charges over the relevant asset (and its income streams) and the debt is repaid gradually through the cash-flows of the asset (in the case of offshore wind, the revenue generated by the sale of electricity). An important aspect of any project finance structure is that, in the event of a default, there is usually no (or limited) ability for the lending banks to seek recourse against the owners (or sponsors) of the project – their rights are against the asset to which they have lent the money.

3.8 TKOWFL is considering a project finance solution following a number of successful project financings of offshore wind assets in the UK. Set out below are the offshore wind projects that have successfully raised project finance since 2011/4. As the table illustrates there is now a clear track record of successful transactions which demonstrates the ability to successfully raise significant levels of project financing debt both during construction (Constr) and operation (Ops) of an offshore wind farm:

<u>Project</u>	<u>Country</u>	<u>Signed</u>	<u>MW</u>	<u>Approx debt quantum</u>	<u>Constr / Ops</u>
<u>Galloper</u>	<u>UK</u>	<u>2015</u>	<u>340</u>	<u>£1.1bn</u>	<u>Constr</u>
<u>Veja Mate</u>	<u>Germany</u>	<u>2015</u>	<u>402</u>	<u>€1.3bn</u>	<u>Constr</u>
<u>Nordsee 1</u>	<u>Germany</u>	<u>2015</u>	<u>332</u>	<u>€900m</u>	<u>Constr</u>
<u>Baltic 2 (Macquarie's 49.89% stake)</u>	<u>Germany</u>	<u>2015</u>	<u>288</u>	<u>€500m</u>	<u>Ops</u>
<u>Westermost Rough (Marubeni/GIB's 50% stake)</u>	<u>UK</u>	<u>2014</u>	<u>210</u>	<u>£370m</u>	<u>Constr</u>
<u>Gemini</u>	<u>Netherlands</u>	<u>2014</u>	<u>600</u>	<u>€2.0bn</u>	<u>Constr</u>
<u>London Array (Masdar's 20% stake)</u>	<u>UK</u>	<u>2013</u>	<u>630</u>	<u>£266m</u>	<u>Ops</u>
<u>Butendiek</u>	<u>Germany</u>	<u>2013</u>	<u>288</u>	<u>€994m</u>	<u>Constr</u>
<u>Walney I &amp; II (AEF&amp;PGGM 24.8% stake)</u>	<u>UK</u>	<u>2012</u>	<u>367</u>	<u>£240m</u>	<u>Ops</u>
<u>Gunfleet Sands I &amp; II (Marubeni's</u>	<u>UK</u>	<u>2012</u>	<u>172</u>	<u>£160m</u>	<u>Ops</u>

<sup>4</sup> Please note that this table has been provided by the shareholders' financial advisors rather than the shareholders and the content has not been verified by the shareholders.

<a href="#">49.9% stake)</a>					
<a href="#">Lincs Offshore Windfarm</a>	<a href="#">UK</a>	<a href="#">2012</a>	<a href="#">270</a>	<a href="#">£1.0bn</a>	<a href="#">Constr</a>
<a href="#">Northwind</a>	<a href="#">Belgium</a>	<a href="#">2012</a>	<a href="#">216</a>	<a href="#">€700m</a>	<a href="#">Constr</a>
<a href="#">Meerwind</a>	<a href="#">Germany</a>	<a href="#">2011</a>	<a href="#">288</a>	<a href="#">€900m</a>	<a href="#">Constr</a>
<a href="#">Global Tech</a>	<a href="#">Germany</a>	<a href="#">2011</a>	<a href="#">400</a>	<a href="#">€1.0bn</a>	<a href="#">Constr</a>
<a href="#">Baltic 1</a>	<a href="#">Germany</a>	<a href="#">2011</a>	<a href="#">48</a>	<a href="#">€196m</a>	<a href="#">Ops</a>

3.9 [TKOWFL has taken advice from its financial advisor on the viability of project financing for TKOWFL. The professional advice is that project financing offshore wind assets \(including their transmission assets\) looks set to increase substantially in the short to medium term. The table below sets out the immediate pipeline of deals that are expected to be targeting to achieve financial close in the next year.](#)

<a href="#">Project</a>	<a href="#">Country</a>	<a href="#">MW</a>	<a href="#">Approx. debt quantum</a>	<a href="#">Expected Financial Close</a>
<a href="#">Beatrice</a>	<a href="#">UK</a>	<a href="#">498</a>	<a href="#">£1.5bn</a>	<a href="#">Q1-16</a>
<a href="#">Dudgeon</a>	<a href="#">UK</a>	<a href="#">402</a>	<a href="#">£1.2bn</a>	<a href="#">Q1-16</a>
<a href="#">Near na Gaoithe</a>	<a href="#">UK</a>	<a href="#">450</a>	<a href="#">£1.2bn</a>	<a href="#">Q1-16</a>
<a href="#">Walney Extension (50%)</a>	<a href="#">UK</a>	<a href="#">660</a>	<a href="#">£1.0bn</a>	<a href="#">Q1-16</a>
<a href="#">Race Bank (50%)</a>	<a href="#">UK</a>	<a href="#">580</a>	<a href="#">£1.0bn</a>	<a href="#">Q1-16</a>
<a href="#">Burbo Bank Extension (50%)</a>	<a href="#">UK</a>	<a href="#">259</a>	<a href="#">£400m</a>	<a href="#">Q1-16</a>
<a href="#">Gode Wind 1 (50%)</a>	<a href="#">Germany</a>	<a href="#">332</a>	<a href="#">€450m</a>	<a href="#">Q1-16</a>
<a href="#">Nobelwind</a>	<a href="#">Belgium</a>	<a href="#">165</a>	<a href="#">€450m</a>	<a href="#">Q1-16</a>

3.10 [RWE Innogy, one of the two shareholders of TKOWFL, was one of the sponsors of the Galloper project that successfully raised £1.1bn of project finance in October 2015 and the Nordsee 1 project that raised €900m earlier the same year.](#)

3.11 [Building on that experience and following established market practice, RWE Innogy UK and Statkraft UK are developing a financing strategy that will](#)

- include consideration of project financing as a means to raise the majority of the finance required to construct the Project.
- 3.12 Bringing a project finance element to the funding of TKES could bring yet greater certainty to the funding of land acquisition costs by increasing the funding options beyond the two shareholders.
- 3.13 Moreover the process of securing project finance includes an in-depth due diligence process which will analyse every aspect of the project in detail and will ensure that any risks to the project are identified, considered and adequately mitigated.
- 3.14 For these reasons (amongst others) it may be that the shareholders conclude that, the eventual approved funding structure for the construction and initial operation of the Project, a project financing solution is the preferred strategy and as a result, some of the land assembly costs will be paid through project financing. Such an outcome is not a “necessity”, because TKOWFL and its shareholders already hold sufficient resources to fund such costs, and therefore paragraph 3.3 of the original funding statement is still correct.
- 3.15 The financing strategy for TKOWFL will be agreed amongst the shareholders at a later date. As illustrated by the tables above the inclusion of an element of project financing would be entirely in line with current market practice in the sector.
- 3.16 It is important to note that project financing will only be used by TKOWFL at the commencement of construction of TKES (when land acquisition costs will be paid). This is the moment when finances for the construction of TKOWFL will be confirmed (by banks and/or shareholders), and it is therefore known as the Financial Investment Decision or FID and Financial Close, respectively.
- 3.17 All of the land assembly costs that are payable before Financial Close will be financed by the shareholders and are already factored into the budgets for the project. Both shareholders have made allowances for the cost of funding pre-FID/Financial Close costs, as they would with any large infrastructure project they undertake, and ensured that the necessary funds are available. Such finance will be drawn by means of processes set out in a revolving credit facility that exists to allow the project to draw the required finance from the shareholders efficiently and equally.
- 3.43.18 As such, barring any unprecedented and currently unforeseen circumstances, no funding shortfalls are anticipated. The possibility of either ultimate parent company being unable to meet its financial commitments in respect of land assembly is extremely remote as demonstrated by the sound credit ratings of the companies.

## Guarantees

3.53.19 TKOWFL has reviewed the manner in which the guarantee of funds to meet compensation liability arising from compulsory acquisition has been addressed in recently granted Development Consent Orders for Nationally Significant Infrastructure Projects (NSIPs) promoted by private companies; in particular Hinkley Point C Nuclear Power Station, Galloper Offshore Wind Farm, Able Marine Energy Park and Hornsea Offshore Wind Farm Project One. Whilst each project must be assessed in the context of its own particular facts, current practice indicates that there are primarily two main approaches to ensuring that funding for compulsory purchase compensation is in place:

- i. A section 106 Town and Country Planning Act 1990 obligation, consistent with the approach taken on Hinkley Point C Nuclear Power Station and Galloper Offshore Wind Farm; and
- ii. The inclusion of an article in the Development Consent Order that will require security to be provided prior to the exercise of any powers of compulsory acquisition, consistent with the approach taken in Able Marine Energy Park and Hornsea Offshore Wind Farm Project One.

3.63.20 TKOWFL considers that the approach of providing an article in the Development Consent Order is appropriate in the case of TKES. A section 106 obligation requires interests in land to be bound in order that the obligations given may be enforceable against successors in title. Given that TKOWFL has taken a proportionate approach to land acquisition, and is only seeking the compulsory acquisition of freehold land in limited circumstances, it is considered that TKES is unlikely to have sufficient interest in the land that is the subject of the Order to enter into a s106 obligation.

3.73.21 TKOWFL therefore proposes that article 38 be included in the Order as a clear commitment on the face to the provision of security for compensation. This has the same effect as a section 106 obligation, and it will ensure:

- i. that the compulsory purchase powers in articles 154 to 28 of the Order cannot be exercised unless a guarantee or other form of security in respect of TKOWFL's liability to pay compensation has first been approved by the Secretary of State;
- ii. that the guarantee or security can be enforced directly against TKOWFL by those to whom compensation is payable; and
- iii. that the guarantee or security shall be kept in place for up to 15 years from the exercise of the compulsory purchase powers.

Comment [BRF1]: There isn't an Article 154

~~3.83.22~~ TKOWFL has given consideration to whether the approval of the form of guarantee or security should be delegated to the local planning authorities within whose areas the land and rights to be acquired are situated. However, given that TKES spans the administrative areas of two local planning authorities (East Lindsay District Council and Boston Borough Council), this is considered an unnecessary burden for those authorities. TKOWFL therefore proposes that this control be exercised by the Secretary of State as a single approval. This accords with the approach in the Hornsea Offshore Wind Farm Project One DCO.

~~3.93.23~~ TKOWFL considers that the maximum period of 15 years for which the security should be kept in place is sufficient, having regard to the period in article 16 within which compulsory purchase powers may be exercised, and the statutory limitation period for referring a claim for compensation to the Upper Tribunal (Lands Chamber).

~~3.103.24~~ It is considered that the mechanism proposed provides sufficient comfort to the Secretary of State that TKOWFL will have the financial means available to discharge its compensation liability arising from the exercise of compulsory purchase powers pursuant to the Order.

[3.25 Noting the comments in section 4 below relating to potential changes in shareholders in TKOWFL, it will be essential to ensure that any replacement shareholders replace guarantees put in place pursuant to the Order. For that reason the shareholders will ensure \(through both the contractual arrangements for transfer of shares and the guarantee document itself\) that any replacement of guarantees will only be possible in circumstances where the incoming guarantor is of equal or better creditworthiness to the exiting shareholder. Through these provisions, the Secretary of State will be able to legally manage any changes of guarantor and will be able to ensure that an appropriate level of creditworthiness \(vis-à-vis outstanding obligations of TKOWFL\) is maintained.](#)

## **4 CHANGES IN SHAREHOLDERS**

- 4.1 The announcement by Statkraft in December 2015 that it will no longer invest in new offshore wind projects indicates that Statkraft will be seeking a buyer for its shares in TKOWFL in the future the full Statkraft statement is set out in Appendix 1.
- 4.2 Such an announcement and subsequent sale is entirely in line with the market practice and expectation that shareholders will change during the development, construction and operation of an offshore wind farm in the UK.
- 4.3 Changes in shareholders in an offshore wind project are driven by the scale of the investment, nature and complexity of the asset and risk profile of the sector. The development of a large offshore asset can take between 5-10 years and understandably corporate strategies in relation to investments of this scale and complexity can be subject to change in that period.
- 4.4 For those reasons, changes in shareholders have been a feature of the majority of offshore wind farms developed in the UK. To give just one example, SSE announced its intention to sell its 50% share of Galloper Wind Farm Limited in late 2014. This announcement allowed a subsequent sale and transfer to new investors to be completed in an orderly and efficient fashion without impacting the project development or financing (as noted above, the Galloper project went on to secure over £1bn of project financing with the new consortium of shareholders in 2015).
- 4.5 In December 2015 RWE AG announced that it intends to restructure its business in order to secure additional investment into the renewables division (RWE Innogy) from capital markets. The RWE announcement is set out in Appendix 2. This announcement provides further confirmation of RWE's commitment to renewables

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## 45 **BLIGHT**

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4.15.1 TKOWFL does not anticipate that any claim for blight that may be submitted with be successful. However, should any claims for blight arise as a consequence of the proposed compulsory acquisition, the costs of meeting any valid claim will also be met by TKOWFL and/ or its two parent companies.

## ~~5 COST OF IMPLEMENTING THE PROJECT (SOUGHT TO BE AUTHORISED BY THE DCO)~~

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- ~~5.1 As stated previously, TKOWFL is ultimately owned by two large utility companies, each with a sound financial standing. As with the funding required for land assembly, the funding for the construction of the TKES and the TKOWF is anticipated to be provided ultimately by TKOWFL's parent companies.~~
- ~~5.2 It will not be necessary to obtain any third party funding in respect of the construction of the TKES or the TKOWF. The cash generated as a result of the day to day operations of the respective parent company groups will be sufficient to fund the costs associated with the construction of the TKES and the TKOWF as and when they fall due. Both groups have made allowances for these costs, as would be the case for any large scale infrastructure project which they undertake, and will ensure that the necessary funds are available when they are required.~~
- ~~5.3 As such, barring any unprecedented and currently unforeseen circumstances, no funding shortfalls are anticipated. The sound credit rating of both parent companies means that the possibility of either company being unable to meet its financial commitments in respect of the construction of the Project is extremely remote.~~

## APPENDICES

### Appendix 1

Statkraft Statement on New Investment Plan

NEWS - Published 16 December 2015 on statkraft.com

<http://statkraft.com/media/news/20151/no-new-investments-in-offshore-wind/>

## No new investments in offshore wind

**Statkraft has adjusted its investment plan to the increase of dividend by NOK 5 billion over the next three years. The main changes are that Statkraft no longer will invest in new offshore wind projects and some international hydropower projects may be postponed.**

"Offshore wind power is capital intensive. The reduced financial terms from the owner entail that it is not possible for Statkraft to invest in new offshore wind projects", says CEO Christian Rynning-Tønnesen.

What this means specifically is that Statkraft will participate in the development of the Triton Knoll project, but not invest further. For Dogger Bank the development of the projects will continue, but Statkraft cannot invest in these. The Dudgeon project is not affected by the decision, and will continue as planned. Statkraft will comply with all commitments and finance our 30% share.

Sheringham Shoal is not affected by the decision. Statkraft's future ownership strategy will be evaluated later.

"Within International Hydropower there are opportunities for developing profitable projects in the longer term, but at this point we will consider to postpone the development of some new projects. Going forward we will focus on improving efficiency and profitability in existing assets", says Rynning-Tønnesen.

For European flexible power production, Market operations and District heating there are no significant changes. "We are facing a challenging period going forward, but our ambitions remain strong, both in Norway and internationally. We need to improve efficiency and profitability in our markets, and by doing so I believe Statkraft will maintain its strong position within renewable energy," says Rynning-Tønnesen.

### Appendix 2

RWE Statement on Restructuring

December 11<sup>th</sup> 2015

"The viability of the entire Group will be strengthened" - IPO of the new subsidiary in late 2016

At its meeting today, the Supervisory Board of RWE AG unanimously approved the Executive Board's plans to restructure the Group. The company will transfer its renewables, grid and retail operations in Germany and abroad to a new subsidiary (Newco), which it intends to list on the stock market towards the end of next year. RWE AG will focus on conventional electricity generation and energy trading. In addition, RWE AG will remain the new subsidiary's majority shareholder over the long term and consolidate it fully. There will be no change to the asset base available to back liabilities.

"Today, we set an important course for the future of the entire RWE Group," says Manfred Schneider, Chairman of the Supervisory Board of RWE AG. "As a result of this restructuring, we will increase our capacity to invest in the energy world of tomorrow and, in turn, secure the viability of RWE as a whole. Our Group will thereby be even better placed to fulfil its responsibility towards its shareholders, employees and society."

Frank Bsirske, Deputy Chairman of the Supervisory Board of RWE AG, adds: "In light of the radical changes to the energy landscape, this is a necessary step and the right one. By taking this decision, we are giving the entire workforce long-term prospects. Only a healthy RWE is a secure employer. We hope that the restructuring will create new jobs in future-oriented business fields over the medium and long term."

"I am pleased that the Supervisory Board is supporting our strategy unanimously," says Peter Terium, Chairman of the Executive Board of RWE AG. "This decision sends the clear signal that we have found our answer to the transformation of the energy system. We will implement our plans for the Group's new structure as quickly as possible and as carefully as necessary. As a result, we will improve the viability of all our business areas, without neglecting our social obligations."

The restructuring will create two viable companies under RWE AG with a clear strategic focus and increased financial headroom. The IPO of the new subsidiary is scheduled for late 2016. In connection with a capital increase at the new company some 10 percent of new share capital will be placed on the market. A placing of further stakes – then owned by RWE AG – is possible.

The additional capital will enable the new subsidiary to step up its capital expenditure in renewable energy and the trends of the energy world of tomorrow. As the majority shareholder, RWE AG will also benefit from this. Furthermore, RWE will increase its financial flexibility with regard to the nuclear phase-out. The shares of the new company will be an asset that may be used to cover nuclear provisions if necessary.

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