UK Government

Evaluation of the Offshore Wind Manufacturing Investment Scheme

Process evaluation report

Department for Energy Security and Net Zero (2025)

This is an independent report produced by Ipsos, for DESNZ, and as such, may not reflect policy views or direction.

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Executive summary

Introduction

Ipsos was hired in June 2021 by the Department for Business, Energy and Industrial Strategy (BEIS) to evaluate the Offshore Wind Manufacturing Investment Scheme (OWMIS) and to scope a future Value for Money (VfM) analysis. In September 2023, the Department for Energy, Security and Net Zero (DESNZ), who had taken on responsibility for wind via machinery of government changes, commissioned a later stage evaluation of OWMIS as part of a broader study of more recent floating offshore wind support (FLOWMIS).

The evaluation process spanned multiple waves of fieldwork across two evaluations with internal and external stakeholders being engaged with across 3 years from the application process to early project delivery.

Overview of OWMIS

The Offshore Wind Manufacturing Investment Scheme (OWMIS), launched in December 2020 by the Department for Energy, Security and Net Zero (DESNZ), aimed to stimulate manufacturing investment in the offshore wind supply chain. The £160 million scheme hopes to create jobs, improve skills, and balance economic opportunities in deprived areas. It provides grants to attract major manufacturers to the UK and enhance local capabilities. Aligning with UK government policies, it also supports the Offshore Wind Net Zero Investment Roadmap, and the expansion of offshore wind capacity from 14.7GW up to 50GW by 2030.

The scheme consists of two components: the Major Portside Hubs (MPH) and the Manufacturing Investment Programme (MIP), aiming to start manufacturing activities by 2023 to achieve a 50GW project ambition by 2030.

MPH Competition Calls

The MPH competition drew varied responses from applicants and non-applicants regarding its eligibility, timing, and communication. Some perceived the eligibility criteria as restrictive, giving an impression of a less "open" competition, and the short application period was viewed as challenging by some. Additionally, the need for extensive information in a limited time was seen as a hurdle, especially for smaller ports.

While communications were generally clear, more clarity on the bid form was desired. Despite these challenges, internal stakeholders believed the competition effectively raised awareness and engagement.

Some applicants found the MPH competition's requirement for extensive information challenging but necessary due to the substantial funding involved. They believed the process helped articulate clear project plans and fostered team building, but some found it redundant to submit both an application form and a business case.

Suggestions for improvement included a more streamlined clarification process, extended application timeline, revised eligibility criteria, and better expectation management. Although written guidance from BEIS was generally viewed as clear and helpful, some applicants desired more support and comprehensive feedback. Internal stakeholders noticed a lack of in-depth information in some bids, leading to further clarifications and indicating a need for more detailed initial guidance, especially for complex bid components.

Effectiveness of MIP Design

The MIP's investment support model was based on the Regional Growth Fund (RGF), including a sequential bidding process, aligning BEIS resources with investor timelines. MIP applicants found the process competitive due to the short two-week application windows, motivating them to work thoroughly on their applications. While some appreciated the swift and open process, others who discovered the scheme towards the end of the first window felt disadvantaged.

When prompted, applicants interviewed in August 2021 had mixed views on eligibility criteria. Some mentioned these were communicated clearly, while others felt that smaller companies like theirs might not meet the criteria.

OWMIS Scheme Delivery

Applicants interviewed in 2023 generally supported OWMIS objectives but suggested more funding was needed to meet the industry's needs. They also noted that OWMIS supported the industry during a growth phase, likely to continue with increasing market demand, making it well-aligned with industry needs.

As for competition outcome and delivery, the MIP competition seemed to have been largely delivered as intended by 2022, with grants awarded even exceeding expectations. However, the chosen competition route might have underdelivered in final outcomes against the number of shortlisted projects, suggesting it did not fully utilise the total funding allocated to facilitate OWMIS's outcomes and impacts.

As part of this evaluation four in-depth consultation-based case studies we carried out. The majority of which expressed positive opinions around OWMIS and its delivery so far. These firms as well as other representative from across the OWMIS portfolio mentioned several lessons learnt from their manufacturing and industrial progress so far; including but not limited to skill and workforce management and the need for great collaboration between the public and private sector.

To summarise, feedback from interviewees indicates preliminary success in stimulating the industry, benefiting local economies, and attracting investment. Although the scheme’s full impact remains to be seen, current trends indicate a significant contribution to the UK's offshore wind sector development. However, challenges such as workforce scaling and skills development need ongoing focus and strategic action to achieve the scheme's long-term goals.

Without government support the growth and effectiveness of the UK offshore wind industry would have been significantly limited. Fewer investors would likely have invested in the UK market and although progress might still have been made without OWMIS support, it would likely have occurred at a much slower pace.

Key Challenges for the UK's offshore wind manufacturing and industrial base

The UK's offshore wind manufacturing sector faces a variety of challenges such as corporate strategy impediments, an absence of offshore wind winning contracts at CfD Allocation Round five (AR5), difficulties in acquiring skilled labour, strategic clashes due to resource constraint and macroeconomic conditions.

To build a competitive offshore wind industry, it's vital to reduce path-dependency in strategic management. The challenges are exacerbated by technical and construction issues, commercial challenges due to a lack of revenue certainty, skills shortages and regulatory issues.

Recommendations

To conclude, OWMIS has provided significant financial support to the offshore wind manufacturing industry in the UK and although it may be perceived by interviewees to lack the necessary scale, it has helped to attract substantial additional investment into the UK. For enhanced realisation and continued improvement to the scheme 12 recommendations are proposed below (and are presented in greater detail at the end of this report):

1. Extend application lead times to improve proposal quality and reduce application process inefficiencies.
2. Provide early alerts about upcoming competitions to allow industries better preparation time.
3. Optimise applications by providing a clear ranking of assessment priorities.
4. Streamline the application process by assigning a single contact point within HMG.
5. Request additional information from applicants like resource plans, skills development plans, etc.
6. Manage application-specific risks by identifying and communicating potential risks, possibly through a regularly updated delivery risk register.
7. Provide better technical guidance on competition terminology.
8. Acknowledge the differences between companies and avoid a 'one-size-fits-all' approach.
9. Offer application progress updates to help applicants plan better.
10. Provide detailed feedback on unsuccessful applications to encourage learning and future applications.
11. Encourage comprehensive impact risk assessments for resource dependencies both by HMG and the industry.
12. Enhance engagement with overseas companies and potential inward investors, possibly through overseas briefing sessions conducted by UK embassies.

Introduction

Ipsos was commissioned by the Department for Business, Energy and Industrial Strategy (BEIS) in June 2021 to conduct a process evaluation of the Offshore Wind Manufacturing Investment Scheme (OWMIS) and a Value for Money (VfM) scoping and specification exercise. This evaluation covered early implementation of OWMIS (competition design, competition call, awareness of the scheme, application procedure, competition outcome) and aimed to:

- Evaluate the application, competition, selection and early delivery processes of OWMIS's MPH competition;
- Evaluate the application and competition processes of OWMIS's MIP competition;
- Scope out a suitable Value for Money approach for a potential future evaluation of the programme and begin populating the baseline data where possible.[1]

The purpose of this work was to produce findings that feed into ongoing programme policymaking and inform the development of a future impact and VfM evaluation of OWMIS.

In September 2023, the Department for Energy, Security and Net Zero (DESNZ) appointed Ipsos to build on this evaluation and conduct a process evaluation of the later stages of OWMIS implementation. This evaluation set out to examine the final contract agreement, early delivery and early impacts, whilst also capturing earlier experiences of the scheme.

Methodology

This report is based on multiple waves of fieldwork conducted during various points in the OWMIS scheme and across two evaluations. Table 1 outlines each wave of fieldwork, including the consultee type, number of interviews completed, month of interview and the topics discussed. Waves 1 and 2 were conducted as part of the first evaluation completed in 2022 covering the application phase. Wave 3 was conducted as part of the second evaluation covering later stages of implementation.

[1] A separate process evaluation report and report on the VfM scoping and specification exercise, including the recommended approach for a future evaluation has been produced.

Table 1. Fieldwork waves conducted as part of the evaluation of OWMIS

Wave	Consultee	No. of interviews completed	No. of participants in sample	Date	Topics discussed
1	Internal stakeholders from within BEIS and the Department of International Trade (DIT)	5	N/A	Jun 21	Strategic context, business case, scheme design and delivery to date, what success might look like after OWMIS.
2	Successful applicants to the MPH	1	1	Aug 21	The competition calls, application processes, reasons for applying, to what extent they felt that the OWMIS programmes address the needs of industry and barriers to scaling up offshore wind manufacturing in the UK.
	Unsuccessful applicants to the MPH	3	4	Aug 21	The competition calls, application processes, reasons for applying, to what extent they felt that the OWMIS programmes address the needs of industry and barriers to scaling up offshore wind manufacturing in the UK.
	Non-applicants to the MPH	2	3	Aug 21	Interviews covered topics above and reasons why participants did not apply to the OWMIS programmes.
	Applicants to the MIP	5	6	Aug 21	The competition calls, application processes, reasons for applying, to what extent they felt that the OWMIS programmes address the needs of industry and barriers to scaling up offshore wind manufacturing in the UK.

Wave	Consultee	No. of interviews completed	No. of participants in sample	Date	Topics discussed
3	Successful applicants to the MPH	1	1	Jan 22	Due diligence process and early project delivery (where applicable), challenges, and growth opportunities within offshore wind manufacturing.
	Unsuccessful applicants to the MPH	5	5	Jan 22	Early project delivery (where applicable), challenges, and growth opportunities within offshore wind manufacturing.
	Non-applicants to the MPH	4	5	Jan 22	Early project delivery (where applicable), challenges, and growth opportunities within offshore wind manufacturing.
	Applicants to the MIP	6	11	Jan 22	Early project delivery (where applicable), challenges, and growth opportunities within offshore wind manufacturing.
	Internal stakeholders from within BEIS	4	N/A	Jan 22	Early project delivery (where applicable), challenges, and growth opportunities within offshore wind manufacturing.
4	Funding recipients	3	4	Oct 23	Challenges for growing the UK's offshore wind manufacturing and industrial base, competition call, project progress to date (including challenges faced), the final contract agreement and any early impacts.

Wave	Consultee	No. of interviews completed	No. of participants in sample	Date	Topics discussed
	Internal stakeholder	1	N/A	Oct 23	Challenges for growing the UK's offshore wind manufacturing and industrial base, competition call, project progress to date (including challenges faced), the final contract agreement and any early impacts.

A purposive approach to sampling was taken, with participants selected from an existing database of contacts provided by BEIS. Interviews were conducted virtually by the Ipsos evaluation team via Microsoft teams and ranged from thirty to sixty minutes in length.

The first was a set of scoping interviews with internal stakeholders from within BEIS and DIT, conducted between 30th June – 6th July 2021. Scoping interviews covered the context and business case for OWMIS, its design and delivery to date and what success might look like after OWMIS.

The second set of interviews were conducted with successful and unsuccessful MPH applicants, MIP applicants and non-applicants to the MPH between 6th August – 6th September 2021. The competition call for the MIP had closed and appraisals of bids were ongoing, with some having received conditional offers of funding. Interviews covered reasons why participants did or did not apply to the OWMIS programmes, views on the competition calls and application processes, and to what extent they feel that the OWMIS programmes address the needs of industry and barriers to scaling up offshore wind manufacturing in the UK.

The third wave of fieldwork was conducted with external and internal stakeholders between 5th January – 7th February 2022. At the time of interviews, almost all MIP successful applicants had received a conditional offer. These and the successful MPH project were in the middle or approaching the end of due diligence processes, with some having commenced delivery. Interviews with external stakeholders focused on experiences of the due diligence process and early project delivery (where applicable), challenges to, and growth opportunities within, offshore wind manufacturing. Where participants had not been previously interviewed in August 2021, interviews also covered reasons why participants did or did not apply to the OWMIS programmes, views on the competition calls and application processes, and to what extent they feel that the OWMIS programmes address the needs of industry and barriers to scaling up offshore wind manufacturing in the UK.

The fourth and final wave of interviews took place with three of the four OWMIS funding recipients across October – November 2023. They explored participant's views on the challenges for growing the UK's offshore wind manufacturing and industrial base and experiences of the OWMIS competition call, project progress to date (including challenges faced), the final contract agreement and early impacts.

Limitations

The findings presented in this report are subject to some limitations which should be accounted for:

- The findings in this report represent the views of small samples of the various stakeholder audiences consulted, especially the group of funding recipients interviewed in October/November 2023. Therefore, findings should be treated as indicative and are not fully representative of the views of the offshore wind manufacturing supply chain and ports developers as a whole.
- One of the OWMIS funding recipients declined to take part in an interview. As a result, the views of the organisation were shared indirectly through an interview with an internal stakeholder who interacted with the organisation and is familiar with the delivery of its project.
- While the total number of interviews is low, they constitute nearly all applicants and potential applicants to the scheme. The data that was collected from interviews is still robust and valuable. The research was still able to capture a range of views which have been reflected in this report.
- Interviews conducted as part of this evaluation included questions on live and commercially sensitive issues either with regards to specific projects or organisations' operations in general. These sensitivities may limit the information or evidence available to the evaluation team.

Despite these limitations, efforts were made to ensure that the evidence collected was robust and that the evidence collected was reliable. Findings have also been triangulated with information from programme documentation where possible to support this.

Overview of OWMIS

DESNZ (formerly BEIS) launched OWMIS with the aim of supporting the delivery of manufacturing and port infrastructure investment in the offshore wind supply chain. It also sought to contribute to economic recovery by prioritising the creation of jobs and skills through levelling up economic opportunities in regionally deprived areas by investing in the construction of infrastructure. It was designed to potentially provide grant funding for major investments in the manufacture of strategically important offshore wind components – including (but not limited to) blades, towers, export and array cables and monopile foundations.[2]

[2] BEIS (2021) Guidance for the offshore wind investment programme

The scheme aimed to substantially grow the UK's offshore wind industrial base and support manufacturing investment in the UK's offshore wind supply chain.[3] It will do so by:

- Creating the necessary conditions to attract major manufacturers to the UK to grow the UK's offshore wind manufacturing base;
- Building new domestic manufacturing and supply chain capability; and by
- Addressing the structural weakness of the UK's port infrastructure i.e. the lack of suitable port infrastructure in the UK for deploying larger wind turbines and supporting inward manufacturing investment.

OWMIS is expected to support a wide range of UK Government policy objectives, including advancing the UK's offshore wind (OFW) capacity from 14.7GW up to 50GW by 2030.[4] This objective represents over a three-fold rise in capacity from 2022 levels and, as detailed in the Offshore Wind Net Zero Investment Roadmap, includes up to 5GW floating offshore wind capacity. In parallel, increased private investment (£60.8 billion) across the UK between 2021-2026 is expected to trigger a shift in the offshore workforce.[5] Two thirds of offshore jobs are predicted to be in wind and carbon capture by 2030.[6]

The UK's current windfarms represent 42% of Europe's overall OFW capacity,[7] with a need – as identified by the Climate Change Committee – to increase capacity both in the UK and Europe. OWMIS also addresses a heightened need for windfarm components. In doing so, investment channelled towards manufacturing in the OFW supply chain is expected to bolster the UK's OFW capacity. This will contribute towards meeting the Government's goal of reducing carbon emissions to 78% of 1990 levels by 2035,[8] as well as meeting industry's target for 60% UK content in OFW wind farms.[9] Taken together, developing OFW is a policy priority, and OWMIS aims to support the UK's OFW objectives.

With total funding of £160 million, OWMIS is divided into two components: the Major Portside Hubs (MPH) and the Manufacturing Investment Programme (MIP). The MPH strand was launched in December 2020 (after a Request for Information process in October) and closed to applications in January 2021. It aims to provide partial direct funding to coastal landowners that are willing and have the capacity to accommodate large-scale manufacturing facilities capable of shipping products to new wind farm developments. This includes ports that can accommodate installation vessels, have extended quayside and large areas with heavy load bearing capabilities.

The MIP was launched in February 2021 and closed to applications in May of that year. It provides investment to draw large and strategically important OFW manufacturing projects to

[3] An OWMIS theory of change was mapped out at the inception stage of the previous evaluation.
[4] HM Government (2023), Offshore Wind Net Zero Investment Roadmap
[5] Offshore Wind Industry Council (2021), More than 69,000 jobs and £60 billion private investment in UK offshore wind by 2026
[6] Robert Gordon University (2021), UK Offshore Energy Workforce Transferability Review
[7] Based upon on grid-connected turbines, including sites under construction – see The Crown Estate (2020) OFW operational report 2020
[8] BEIS (2021), UK enshrines new target in law to slash emissions by 78% by 2035
[9] HM Government (2020), Offshore wind Sector Deal

relevant UK sites. This was expected to deliver a minimum of four manufacturing facilities able to produce large-scale components of OFW turbines.

These schemes are designed to work together to increase the UK's OFW manufacturing, construction and installation capabilities by:

- Facilitating investment in infrastructure and capital assets to support OFW, increasing the UK's wind farm manufacturing capacity and capabilities;
- Creating jobs through this investment both immediately – through construction, delivery and manufacturing activities – and in the long term by establishing sustainable portside hub businesses; and
- Channelling private sector investment towards the regions where projects are located.

Crucially, the successful portside hubs projects were expected to have a realistic chance of manufacturers beginning manufacturing activities by the end of 2023[10] to achieve the target of up to 50 GW of commissioned projects by 2030.

[10] BEIS (2020), Offshore wind manufacturing investment support scheme: major portside hubs

Effectiveness of OWMIS design

Effectiveness of MPH design

Competition design

Internal stakeholders interviewed in June 2021 mentioned they had looked at learnings for competition design from other programmes being delivered by BEIS at the time.[11] In addition, the delivery team drew on knowledge from more experienced team members, who advised on sector dynamics and technical requirements. However, there may have been limits to how far the MPH competition process could build directly on learnings from relevant programmes. This is because it was to some extent a novel programme. In interviews with internal stakeholders in January 2022, some pointed out that traditionally Government has not funded infrastructure projects – particularly ports – through a competition format.

The MPH competition was designed as an 'open' competitive process[12] in line with the requirements of the Grants Functional Standard.[13] [14] As discussed below, some applicants and non-applicants interviewed in August 2021 felt the application criteria were too restrictive, making the MPH competition feel geared towards awarding funding to particular projects. For example, one applicant mentioned that the short timeframe for applying, volume of information required, size of grant, and precise eligibility criteria, came together to make it feel like a less open competition. Some non-applicants interviewed in January 2022 echoed this.

Competition call

Findings from applicants and non-applicants were gathered on three key areas of the competition call; its timing, communication activities and eligibility criteria. Details on these areas are outlined below.

Scheme timing

Applicants interviewed in August 2021 had mixed views on the timing of the competition release, which came in December 2020. Some had staff working on bids over Christmas and had to prioritise this over other work. One mentioned that if the MPH call had been released a few months earlier it might have dovetailed even more effectively into CfD AR4 preparations. However, other applicants disagreed with this suggestion. Non-applicants felt the release fit well with the Freeports competition as funding decisions on both were taken concurrently.

[11] Please see Table 2 in the annex for a comprehensive list of programmes consulted for the MPH and MIP design, including lessons learned.
[12] This means that the competition was open for anyone to apply, rather than only a pre-selected list of applicants.
[13] OWMIS Full Business Case.
[14] The use of competition was intended to support optimising value-for-money by increasing "the potential for lower prices…innovation and improved quality, as organisations compete against each other to win funding". A Value for Money assessment will be conducted at a later stage and has been scoped under this evaluation.

Some applicants mentioned that bids required gathering extensive information in a tight timeframe. One felt this could put smaller ports at a disadvantage. Another mentioned it prevented them from procuring consultancy support, putting additional pressure on their team.

The MPH also coincided with external factors, preventing some non-applicants interviewed in August 2021 from applying. In late 2020, ports were preparing for and dealing with challenges related to The UK's exit from the European Union. The COVID-19 pandemic also had ramifications for shipping that were still being felt. This was reiterated by some non-applicants interviewed in January 2022.

All applicants and non-applicants interviewed in August 2021 had heard about the competition through BEIS. Additional sources included: contacts at DIT; industry bodies such as Renewables UK and the Offshore Wind Industry Council (OWIC); and regional government. This suggests a varied engagement approach, including the two-pronged activity between BEIS and DIT helped raise interest and awareness of the competition among potential applicants.

Applicants generally felt that communications and documentation were clear and professional. Some non-applicants echoed this. However, some applicants wanted greater clarity on the form of bid expected – such as a Green Book business case or a commercial brochure – feeling bids could have been inconsistent.

Internal stakeholders interviewed in June 2021 also suggest that MPH communication activities effectively raised awareness and encouraged applications. Some mentioned they received more applications than anticipated. While not all bids were suitable, the process was beneficial for building engagement and relationships with ports developers.

Eligibility criteria

Applicants interviewed in August 2021 felt the eligibility criteria and scope of the competition were satisfactory. However, one did mention that the requirement for 200 hectares of land was a big plot to secure. They also felt that there were elements missing in the competition scope such as the requirement for 24/7 access to the quay and onshoring fabrication.

Other applicants mentioned that the eligibility criteria could have been perceived as too specific, favouring the success of certain bids. Some applicants also saw the MPH as supporting two ports when guidance indicated only one port would be successful. Some reinforced this point in January 2022, adding this had affected their strategic analysis, which assumed there would be one successful port. Only one project received in principle support through the MPH, however, alternative support was granted outside of the MPH and OWMIS for another applicant. Future schemes should consider expectation management if a similar situation were to arise. Programme documentation indicates two of the five applications received did not meet basic criteria and were not fully appraised.

Non-applicants interviewed in August 2021 indicated that the eligibility criteria contributed to their decision not to apply. One who participated in the RFI stage did not go on to apply when they saw the 200 hectares needed to be contiguous, having previously understood this was not necessary. They felt this perceived change between stages barred otherwise feasible projects from bidding. Another could not evidence ongoing positive investment interest from manufacturers. These views were reiterated in January 2022, with non-applicants feeling the criteria were too exclusive.

Application process and materials

Effectiveness of application process

Some applicants interviewed in August 2021 acknowledged that, despite being a challenge, the volume of information required in their application was necessary when applying for such a large amount of funding. While the process of gathering information was challenging, some mentioned this encouraged them to articulate a clear plan for their project. One also felt the process contributed to team building. Yet, some applicants mentioned the requirement to complete an application form and provide a business case created an avoidable duplication of information.

Some applicants mentioned that they found the clarifications process difficult. They received regular questions with what they felt to be short response times, suggesting it may have been more helpful to have had one or two telephone calls to discuss queries around their bid. This suggests there is a need to streamline this process in future schemes.

Effectiveness of guidance

In August 2021, applicants felt written guidance and support from BEIS was clear and appropriate. One mentioned that the guidance meant they submitted few clarification questions. Another appreciated how BEIS kept them updated on changes to the competition or documentation. Some felt BEIS could have provided more support, but recognised this is difficult to do in a competition process. Linked to this, one applicant did feel the “one hit” nature of the competition meant they were given standard guidance which they had to interpret themselves. In previous bids, the interaction with BEIS was seen as more “collaborative”, meaning both parties understood the proposal better and got more out of the application process. Some applicants did not find assessor feedback to be helpful or that the associated process was well-planned or coordinated. These applicants felt feedback could have been more detailed to inform future bids. One suggestion was that BEIS could have shared aggregated feedback to help applicants understand what made a ‘winning’ bid. In future schemes, assessors should ensure that feedback is sufficiently detailed to help applicants learn from their experience.

Information provided by applicants

Internal stakeholders interviewed in June 2021 found that the bids submitted by applicants did not always have the depth of information required for appraisal. This is also seen in application assessment documentation, where further clarifications were flagged for all applications received. Some applications did not provide sufficient evidence for assessment in certain areas e.g. economic merit. Internal stakeholders had to go back for clarifications, particularly around the counterfactual cases provided. However, they did acknowledge that this was a difficult aspect of the assessment process. Given that funding decisions were reached and all eligible bids appraised, clarifications appear to have been sufficient alongside the original submissions to allow assessment. Despite applicants’ belief that the competition guidance was clear and helpful, the need for further clarification suggests initial guidance could have provided more detail around expectations for submissions. This may especially be the case for the more difficult elements of bids.

Improving the application process

Applicants made several suggestions on areas for improvement in the application process:

- As discussed, some applicants felt the timeline for applying could have been longer and that it may have deterred potential applicants given the amount of information required. One applicant interviewed in August 2021 felt this meant the competition did not seem very well controlled, having the impression that BEIS had not expected to receive so many applications. This was also mentioned in scoping interviews in June 2021. The delivery team were encouraged by the number of bids submitted, but admitted they may have opened the competition up to too many and too wide a variety of bids.
- Some applicants and non-applicants interviewed in August 2021 and January 2022 found the eligibility criteria and scope of the MPH to be too constraining.

Competition outcome and delivery

The MPH competition was delivered largely as intended and attracted interest/proposals. While clarifications were required, the delivery team received more bids than expected and were provided with sufficient information to make an award. If delivery proceeded as intended, the competition process would have enabled the development of one port hub. An in principle offer was made to one port, however, this project ultimately did not proceed.

It is too early in project delivery[15] to assess with certainty whether the chosen competition route was suitable for facilitating the desired outcomes and impacts of OWMIS. However, evidence to date indicates that – given the competition's outcomes above – the competition route will have been suitable for facilitating these if the funded project is completed. It could be argued that by designing the competition to receive a large volume and variety of bids, the MPH attracted bids. If this development progresses successfully, the MPH competition process could have supported the achievement of OWMIS's outcomes and impacts for ports infrastructure outside of the MPH.

Effectiveness of MIP design

Competition design

Internal stakeholders interviewed in June 2021 mentioned they had built on learnings and materials from the MPH design and set-up for the MIP, realising efficiencies. The MIP's investment support model was largely based on the approach of the Regional Growth Fund (RGF), including the sequential bidding process.[16] It was argued this would allow BEIS resources to match investor delivery timelines, while investment grants were a tried and tested support measure.

[15] Please see the following chapter for details on the MPH's delivery to date.
[16] OWMIS Full Business Case.

When interviewed in January 2022, applicants to the MIP felt the process was competitive because of the short period of time available to submit an application (two week windows). This motivated applicants to push themselves to develop the best application they could to become one of the leading applicants and provided them with an incentive to treat the application process seriously as they knew the process would not be a long one. One felt that the sequential bidding process – with two-week application windows – incentivised them to progress their application quickly and effectively. Another felt the process was open and did not favour any one manufacturer. However, some applicants who found out about the scheme near the end of the first application window felt they may have been at a disadvantage due to this.

Competition call

Findings from applicants and successful funding recipients were gathered on three key areas of the competition call; its timing, communication activities and eligibility criteria. Details on these areas are outlined below.

Scheme timing

Internal stakeholders interviewed in June 2021 and applicants interviewed in August 2021 and January 2022 acknowledged that a scheme like MIP will always support those willing and able to invest at that point in time. These applicants mentioned that the timing of the MIP was suitable for them because they were only ready at that point to invest in their facility; re-exploring investments after a hiatus due to COVID-19; or were in need of a final portion of funding to help an existing investment go ahead. Another applicant felt the scheme's timing would fit in well with CfD AR4, while one appreciated that the first application phase did not coincide with Christmas.

Applicants interviewed in August 2021 and January 2022 also found the application timeframe challenging and said that it could have been longer. Some felt BEIS were at risk of getting fewer or poorer bids as a result. Several mentioned that they were made aware of the scheme late in the day. This did not cause issues for some, but applicants pointed out that for a smaller company or new project it would have been difficult to apply. This is because gathering information usually takes 2-3 months. Applicants who felt they had enough time already had teams monitoring and progressing bid opportunities in place.

A successful applicant interviewed in October/November 2023 felt that the application process did not afford enough time or support for a company without a UK presence, or any experience of operating in the UK, to develop an application on time in accordance with requirements. Alongside their application, the organisation was attempting to build a factory, hire staff, raise finance and more whilst being cautious of overspending. This is in contrast with established UK companies with greater resources which are better equipped to develop applications in addition to daily operations. However, the same applicant suggested that the timing of the release itself was acceptable as it was the only option available when the company required support. Furthermore, despite the concerns raised in relation to lack of experience in the UK, the applicant believed that OWMIS provided an opportunity the company was likely to benefit from.

Another successful applicant interviewed in October/November 2023 acknowledged the challenges associated with the timelines of the competition, noting that while more time is often desired, the pressure of tighter deadlines can be beneficial in driving progress. Although a longer period of time to develop and submit an application would have been advantageous, the applicant expressed a preference for maintaining momentum rather than prolonging the application processes for convenience.

Communication activities

The delivery team for MIP disseminated communications about the programme via regional bodies and DIT. DIT already had extensive contact with several companies that could apply to the MIP. Applicants interviewed in August 2021 and January 2022 were made aware of the MIP by: BEIS and DIT, contacts in the ports operator and offshore wind manufacturing sectors, consultancy firms, and trade journals.

The majority of funding recipients interviewed in October 2023 stated that they were already in regular contact with government and therefore were made aware that the scheme was on the horizon before it officially launched. For one applicant, established connections with various government departments were a result of longstanding collaborations in international markets with the Department of Energy and Climate Change (DECC) and engagement with UK Export Finance. One funding recipient's awareness of government schemes, including previous considerations for ERGF applications, kept them informed about upcoming initiatives.

Prior awareness of the scheme communicated informally through existing relationships enabled prospective applicants to prepare ahead of the official announcement, increasing the likelihood that they would submit an application. Interviews suggest industry stakeholders believe it is important to maintain close relationships with government and regional representatives to ensure opportunities such as OWMIS are not missed.

Some applicants found the communication and information about the scheme helpful. For example, one believed their company would not have known to engage and apply if the BEIS team had not made them aware of available investment support. However, others were made aware of the scheme late. For future schemes, delivery teams should consider how to optimise communication strategies and phasing of communications with application deadlines.

Eligibility criteria

When prompted, applicants interviewed in August 2021 had mixed views on eligibility criteria. Some mentioned these were communicated clearly, while others felt that smaller companies like theirs might not meet the criteria.

Some applicants interviewed in January 2022 felt the criteria was clear and fair. One mentioned that while the reference to certain components e.g. cables, monopiles, blades made the criteria specific, the competition felt open to those operating in that subset.

A successful applicant interviewed in October/November 2023 stated that the scheme was designed to attract companies already operating in the UK at the expense of inward investors entering the market for the first time. The applicant believes the scheme lacked clear differentiation between true inward investors and existing UK companies and discouraged those who were inward investors by requiring applicants to be registered in the UK.

Application process and materials

Effectiveness of application process

Applicants interviewed in August 2021 found the application comprehensive but that it required detailed answers across a range of business areas. One acknowledged that they did not expect the application process to be easy or short given they were applying for government investment. However, they suggested it would have been helpful to receive details prior to competition release on what information they might need to gather, so they could start this ahead of time. They were also concerned that the application was a “one size fits all” form requiring information that not all companies hold. Another applicant found the online application process straightforward. Some applicants also welcome how quickly funding decisions were received compared to other programmes, providing certainty around funding.

Applicants who were asked in January 2022 agreed and felt that application questions were relevant. On the clarifications process, some applicants interviewed in August 2021 felt BEIS scrutinised their application well and asked the right questions. Another had to provide additional information, incurring unexpected expenses for additional financial and legal advice. Some applicants in January 2022 mentioned that the clarification process entailed back and forth with tight deadlines to respond. They suggested that a spreadsheet may have been a better format than email chains, so all responses and information could be logged centrally.

Funding recipients interviewed in October 2023 stated that the activities to be delivered using funding through the scheme and applicant obligations as part of the grant offer were made very clear. However, one applicant recalled responding to multiple rounds of clarification requests which felt repetitive and surprising, as similar questions were asked by different groups within the decision-making process. This suggests that the process appeared to involve handovers to different teams at several stages of the decision-making process, creating a view that the government was being delayed by the same issues and stalling. As a result, they perceived their experience of the application process to be slightly disjointed prior to receiving certainty that the firm could proceed with its plans.

The support provided to another funding recipient interviewed in October 2023 was deemed to be unhelpful, especially given the perceived scale of the company’s potential project at the time. This is because the firm was unfamiliar with UK public grant funding application processes, such as the one in place for OWMIS. The firm believes it would have benefitted from a dedicated support system for inward investors and the ability to ask questions more freely. The beneficiary described the communication that took place during the application process and activities required as challenging. The interviewee indicated a need for greater ‘hand-holding’ from government, as they suggested there are limited sources of support in the UK capable of offering what is required from international investors.

Another funding recipient noted that they encountered issues with understanding the terminology used in the technical aspects of the application process which required requests for clarity. However, these challenges were effectively addressed through established contacts within the government departments who provided support with queries and helped to resolve issues. Technical disagreements and guidance-related queries were handled without the need to escalate issues to senior members of government. In the applicant's view, communication and support provided through the process worked well and ensure there was no unresolved conflicts.

Effectiveness of guidance

On the whole, applicants interviewed in August 2021 welcomed the in-person guidance and support provided by BEIS and found it helpful. Some found BEIS's guidance useful for knowing what information they needed to gather and that BEIS were easily contactable. This was felt to be more valuable than a written guidance document. Others were particularly pleased with the support given by their case officer. They were always available and helped to make them aware of policy requirements while being clear on where they could not assist. Another applicant mentioned that support around the conditions the company would be bound by in future was helpful. They felt awareness of this is key for getting internal stakeholder sign-off for applications. However, some applicants felt they had not been given much support by BEIS. Some applicants found the written guidance clear and transparent. As a result, one rarely needed to go to BEIS for clarifications. Other applicants interviewed in January 2022 felt they had a good, open dialogue with BEIS. However, some felt information around including R&D in applications should have better aligned with what was required for assessment.

Information provided by applicants

Internal stakeholders interviewed in June 2021 found they had to revert to applicants for further information. Often this was due to data gaps or how applicants had gathered and evidenced data. In some cases, gaps were due to applicants' reluctance to provide commercially sensitive information. Therefore, applications alone did not always provide sufficient information to judge their merit. At the time of writing in March 2022, the MIP had received at least 11 applications of which 6 received an 'in principle' offer of support and 3 were in ongoing discussions. Internal stakeholders interviewed in January 2022 mentioned that the MIP was over-programmed, with the expectation that some attrition may occur.[17] These findings suggested the programme received enough suitable applications to award funding at the time, including receiving adequate information through applications and clarifications. However, progress made since the last evaluation was completed in 2022 suggests that the assessment process did not achieve anticipated outcomes as only three projects were successfully awarded funding. This resulted in underspend.

Improving the application process

Internal stakeholders suggested in June 2021 that a value cap should have been added to the scheme. This was not included in eligibility criteria and as EU state aid rules no longer applied the MIP initially had some high bids. While BEIS and DIT managed expectations to alleviate this, it was suggested this could have been avoided. In addition to a longer application timeframe and receiving communications early enough, applicants in August 2021 suggested:

- Holding a briefing before releasing the competition call e.g. a preliminary Q&A session;

[17] See Governance, due diligence and monitoring for further details.

- Circulating a mid-point review of their applications' progress;
- Feedback discussions as opposed to just receiving a feedback email; and
- Providing better guidance on the ranking of responses, rather than giving the value for each application section e.g. X points for the financial evaluation.

Most applicants did not raise anything that would discourage other suitable applicants from applying. However, the application timeframe was mentioned as potentially off-putting.

The extent to which the OWMIS aligns with the challenges in progressing offshore wind manufacturing in the UK

Successful applicants interviewed in 2023 supported the aims of OWMIS, however, they also stated that it lacked the required level of funding to deliver the level of support needed by the industry.[18] One applicant recognised that the scheme attempts to encourage inward investment in the UK's OFW manufacturing supply chain and core infrastructure. Another applicant stated that there is a clear a link between the scheme, the ambition of the OFW sector and what is needed from a manufacturing perspective to achieve its ambition. It was also stated that OWMIS supported the market during a significant growth phase which applicants consider is likely to continue as market demand increases. As a result, OWMIS is viewed as being well aligned with the industry needs.

It was also suggested that customer advocacy needs to be strengthened in future similar schemes where there is an expectation to deliver quickly and there is a deadline to be operational. A greater emphasis should be placed on minimising the impacts of delays on suppliers where financing with multiple parties is set up to deliver a project.

Competition outcome and delivery

While not all in-principle offers were finalised at the time of writing the previous evaluation in 2022, it could have been argued that the MIP competition was largely delivered as intended. While clarifications were required, the delivery team were eventually provided with what they deemed to be sufficient information to make awards. In 2022, it could be argued the MIP competition had exceeded expectations in delivering quality, fundable bids. There were no records of significant challenges to competition delivery and generally applicants found the application process satisfactory. Since the previous evaluation was completed, no ports were funded and three manufacturing facilities received funding.

Early evidence collected through interviews indicated that – given the competition's outcomes – the scheme would have been suitable for facilitating these if the awarded projects were completed. It has since transpired that the final outcome of the competition has under delivered against the number of projects that were assessed as being suitable and shortlisted for grant funding. Given the current number projects and grant funding allocated, arguably the MIP's chosen competition route did not successfully utilise the total level of funding allocated to the scheme expected to facilitate OWMIS's outcomes and impacts.

[18] Since OWMIS, further support has been committed to in the form of FLOWMIS and the Green Industries Growth Accelerator (GIGA).

Project delivery to date

This section provides an update on the delivery of projects that were supported through OWMIS. As well as summarising the progress that has been made on projects since the last evaluation (completed in 2022) using evidence collected through interviews, this section will also unpick some of the challenges faced across the projects and how projects have mitigated the effects of these. Through interviews with stakeholders, a number of lessons learnt were highlighted across the projects, and these are summarised thematically towards the end of this section. The finds in this section are based on the most recent wave of interviews with projects, carried out in October 2023.

Projects who received funding through the OWMIS scheme are progressing well, with all of them moving into the construction phase. The pursuit of financial support, through OWMIS, has been a critical step for these projects. Regarding construction and site development, a common narrative emerges across projects of obstacles rooted in the preparation and utilization of sites. The revelation of unforeseen site conditions, such as historical industrial remnants or contamination, has necessitated additional work, leading to delays and cost overruns. Despite these issues, which largely fall outside the control of OWMIS, projects have demonstrated adaptability and have been able to progress to the construction phases, delivering on the associated economic benefits this brings. Notable strides have been made in foundational and structural works, and overall there is a clear trajectory towards the procurement and operationalisation of machinery and infrastructure. This progress is indicative of the projects' potential to meet their intended outcomes, albeit on revised schedules.

Strategic shifts and market adaptation have been characteristic of the dynamic nature of these projects. Some projects have shown flexibility in aligning their operational models with evolving market preferences and cost considerations. This is despite changes in global supply chain and market conditions which has led to fluctuations in costs and materials. Proactive procurement strategies have shown some success in mitigating these risks, suggesting that a forward-looking supply chain management approach is crucial for success of future projects.

An ongoing challenge for projects is around labour and skills. The magnitude of the availability of skills required by the sector remains a persistent concern, particularly in the context of the UKs departure from the European Union. The transition from contract to permanent labour models has been a strategic response by projects to these challenges, though it has introduced new cost dynamics that were not necessarily considered during business case development.

In summary projects have progressed well and remain on track to deliver their intended objectives, albeit along revised timelines. Projects have begun receiving orders for their offering, providing certainty to projects which is highly valuable in the nascent floating offshore wind industry.

Lessons learnt across projects

In interviews with representatives from across the OWMIS-funded projects, a series of lessons learnt were mentioned, which should feed into future policy making. Due to a number of synergies across funded projects, this section is presented thematically:

- **Efficiency and Agility in Government Processes and Project Management:** Interviewees across projects expressed concern over the time lag between submitting an application and receiving funding. This stems from applicants expecting funds to be made available sooner, and so greater clarity on timelines from government, as well as expectation management, would resolve this issue. For projects, this time lag had a domino effect into the subsequent phases of the project, including machinery procurement and construction. Improving the efficiency of communication between projects and government during the application process was also mentioned.
- **Skill and Workforce Management:** Projects also underlined the importance of considering skill shortages and the mobility of skilled workers in project planning. There was also a focus on the critical need to develop and maintain a skilled workforce to ensure continuous production and avoid the risks and inefficiencies of a contract-based labour approach.
- **Investment and Government Support:** There was also suggestion of the need for more comprehensive support and a clearer roadmap for doing business in the UK for inward investors. The value of government support in de-risking investments in new manufacturing capabilities and future support for offshore wind being clear, concise, and adaptable is also mentioned, with the implications of competing projects also to be considered.
- **Adaptability and Strategic Decision Making:** The importance of agile decision-making by the private sector as well as problem-solving capabilities to adapt to the dynamic offshore wind market was underscored. Securing long-term commitments from tenants was identified as a crucial strategy to ensure continued investment and development of projects.
- **Infrastructure Development and Enhanced Collaboration:** The interviews highlighted the need for accelerated investment in port infrastructure and a more collaborative approach between public and private sectors. It was suggested that government policy should be more centralized and focused on the selection and support of high-potential projects instead of spreading resources too thinly. These insights were linked to the success of the offshore wind manufacturing hub at the Tees work site.

Early impacts

This section of the report serves as a preliminary assessment of the early impacts arising from the Offshore Wind Manufacturing Investment Support (OWMIS) scheme. It is crucial to note that most projects under this scheme are still in the construction phase; hence, the complete profile of impacts, as well as their magnitude, is yet to be fully realized. However, several early indicators can be observed and merit attention as part of this assessment. The following evaluation is based on direct quotes and information provided by the respondents involved in the scheme's development and associated projects.

Local Economic Development

The Port of Blyth has seen an upsurge in interest since the announcement of the OWMIS scheme, primarily as a result of the firm developing the site being a successful applicant to the scheme. The anticipation of new orders has encouraged the clustering of businesses around the port, although concrete orders are yet to be finalized. This clustering phenomenon suggests a positive market response and potential for regional economic growth.

Investments have been catalysed by the scheme, notably with the Port of Blyth investing significantly in cable handling and storage equipment. These investments are proactive measures in anticipation of increased activity resulting from the OWMIS scheme.

> "I can see there are other investments that are starting to get potentially unlocked, so I know Port of Blyth have themselves invested a lot in cable handling and storage equipment, so they're in anticipation, really, of what we're doing."
> **Company director**

Collaboration with the Offshore Renewable Energy Catapult to enhance cable testing facilities is underway, indicating a forward-thinking approach to infrastructure readiness and future technological requirements.

A deliberate effort has been made to utilize local resources and companies, including sourcing materials from Teesside and engaging local firms in design and construction work. This practice not only supports the local economy, but also contributes to job creation both directly and indirectly.

Job Creation and Private Investment

While there are no confirmed job creation numbers available at this stage across projects, there is a general consensus that the OWMIS scheme and associated projects like Dogger Bank Wind Farm have generated increased port activity, which is a strong indicator of job creation.

Private investment has also been robust across projects, with OWMIS funding providing a level of funding which has encouraged investment into the UK. This mix, including equity injections and commercial lending, underscores the funded projects' ability to attract diverse financial support.

Industry Perceptions

There has been an appreciation by industry for the boldness and scale of the investments, which has allowed companies to leverage increased costs through price adjustments. Buyers have been responsive to increased costs faced by suppliers and projects, acknowledging the risks being taken and the additional benefits of collaboration. If projects had not been able to push for counter measures on increased costs, this would have dramatically affected the ability for projects to complete, and have the level of financial security they have as of March 2024:

> "I think what we've seen is that the boldness of the investment has been greatly appreciated by the industry, and therefore we're able to push for counter measures on the increased costs by increasing our price."
> **Company representative**

To conclude, the OWMIS scheme has demonstrated early signs of successful industry stimulation, local economic benefits, and investment attractiveness. OWMIS has boosted the credibility of those who were awarded funding, due to the positive progress projects have made. While the full impact is yet to unfold, current trends suggest that the scheme will contribute significantly to the UK’s offshore wind sector development. The challenges presented, particularly in workforce scaling and skill development, will require continued attention and strategic action to ensure the successful realisation of the scheme's long-term objectives.

OWMIS final contract agreement

Successful applicants interviewed in October/November 2023 did not encounter any significant challenges related to the OWMIS final contract agreement. One applicant engaged in a series of clarification calls to discuss certain terms and conditions within the contract that were not understood and/or were not viewed as relevant to the applicant. They viewed this process as a form of negotiation to ensure all parties were aligned on the agreement's details and described it as working well.

One applicant experienced a simpler final contract agreement process due to pre-existing funding arrangements and an established partnership with the government. This existing relationship enabled modifications to be made to the contract (i.e. the addition of addendums) rather than having to renegotiate every aspect of the agreement. The majority of the contract terms (around 80% or more) were already in place from previous funding agreements which facilitated this process. Only additional conditions and specificities needed to be addressed, which put the applicant in a more advantageous position in comparison with organisations entering an agreement for the first time.

Challenges with the final contract agreement

There was some frustration over the timing of the grant letter, as an outcome was expected much earlier. Applicants stated that a more realistic expectation could have been given at the outset so the organisation could have reviewed their project plans and obligations, including the original timescales and deadlines to see if there was a possibility of adapting plans accordingly. It was suggested that a more realistic timeframe would have caused less challenges in project delivery, however, applicants recognised that the purpose of OWMIS was to accelerate investment and therefore the scheme needed to adapt to external factors and developments in the global economy.

Potential improvements to the final contract agreement

One applicant expressed a desire to ensure monitoring and reporting on progress is proportionate with what was initially agreed in their business case and does not become unnecessarily bureaucratic. They also recognised the need to maintain continuity and frequency when it comes to reporting, however, the applicant already had quarterly reporting in place with the government as a result of a prior funding stream which streamlined the process.

Discussions took place between one successful applicant and the government over the flexibility of funding to facilitate spend in the following financial year, however, the organisation delivered according to plan and no longer required this change.

There is a perceived imbalance in the contract agreement whereby the company is bound to its commitments but government promises, such as delivering a pipeline of projects and ensuring the UK is an attractive business environment, appear less concrete. One applicant would have liked the agreement to reflect a more equitable sharing of accountability where government also recognises its role in the success or failure of the industry and the commitments made to investors. The interviewee added that the agreement should not hold the company solely responsible, especially for failures caused by industry changes outside the control of the company, or if the government's actions - or lack thereof - contributed to the failure. In addition to this, any mitigating circumstances which could put a firm in jeopardy is not covered well enough and funding recipients are left to assume that they will be support should an issue arise.

The need for a parent company guarantee as part of the contract agreement is understood by funding recipients, however, they believe that it should fall away over a period of time and there should be more shared accountability. For example, a clause could be included outlining that once a business is established and delivering according to plan after 10 years then the parent company guarantee should be removed. This would ensure that the parent company is not solely held accountable to still deliver a factory and jobs decades later if the conditions that you had been placed on funding recipients for success were no longer there (through government failed to generate opportunities in the UK as promised or failed to deliver on contract for difference).

The importance of the agreement was also emphasised and it was noted that it should reflect the balance between protecting taxpayers' interests and acknowledging the significant financial risks taken by companies investing in OFW in the UK.

No issues were reported in relation to sharing requested information.

OWMIS development and delivery

Successes and challenges

Overall, OWMIS funding recipients have praised the development and delivery of the scheme and praised the delivery team for their supportiveness. Feedback from interviews with funding recipients suggest that the scheme has been successful in encouraging investment.

Successful applicants have credited OWMIS for being an important reason behind why they are investing as the scheme indicates that the industry has UK government support/backing. In addition to this, successful applicants have indicated that the scheme has served as a pull factor when comparing markets and comparable schemes in other countries.

Feedback also suggests that the scheme has been successful in achieving long-term strategic partnerships with OFW developers. However, contract exit points and the length of time committed to by companies receiving funding were raised as a concern, as this could represent a loss of financial investment, jobs and assets if an organisation left the industry or the UK.

> “I think it is a positive scheme. You know, there were a couple of roadblocks along the way, a couple of issues and challenges we faced with the earlier delays and clarifications backwards and forwards. But I think in general it's been well-executed”.
> **Successful applicant**

Support from case officers/OWMIS delivery team and the process of working through milestones received positive feedback, including sub-processes such as the review of expenditure evidence. However, a slight decrease in communication and collaborative working has been experienced by funding recipients in the last six months which has been attributed to the reorganisation of DESNZ and DBT (formerly BEIS). As a result, a lesson for future schemes would be to recognise the potential impediments to collaboration and effective working practices throughout a period of changes to the structure of the government departments and ensure mitigations are put in place.

Potential improvements

One successful funding recipient suggested the need to improve contingency measures to help account for the unknown, highlighting the fact that construction projects are often required to change and adapt (citing HS2). A target date and long-stop date could be implemented in funding agreements which recognises that developers are aiming for a particular date whilst acknowledging that a risk may materialise which cannot be mitigated against, resulting in the need to terminate the agreement at a certain point in time. The use of a long stop date could provide reassurance for both government and the funding recipient and reduce the risk in uncertain circumstances to encourage further private investment. In the view of funding recipients, this would also provide better recognition of the uncertainty in OFW construction projects and would align with common practice in industry.

Key lessons identified by projects for future support for offshore wind

Interviewees shared important lessons learned from their experience in delivering their project using OWMIS funding. One respondent emphasised the need for clarity and conciseness in outlining objectives, offers, and selection criteria. They advised that whether the offer is a percentage or a lump sum of funding, it should be clearly communicated along with its acquisition process and any rules for variation, acknowledging that investments may change mid-way. The respondent also criticised the rigidity of the existing system and perceived inconsistencies in rule application. They suggested that the system seemed to favour organisations that lobbied more aggressively and strongly advocated for clearer objectives and a system that accounts for variations in delivery.

Another interviewee highlighted the importance of having a good relationship with joint venture partners and developers who collaborated closely in commercial negotiations and developments from acquiring land, prioritising what to develop and problem solving. They underscored the importance of having the right team with the necessary experience and skills at both local and national levels, and the need for agility in decision-making and problem-solving given the inevitable challenges that arise in construction projects. Furthermore, the value of having expertise present on the ground to inform senior directors and managers aided effective decision-making.

Impact of government policy relating to energy and net zero on businesses

One funding recipient acknowledged that its Freeport status provides certain advantages to their business, yet it has also created a disparity between those who achieved Freeport status and those who did not. The respondent also mentioned upcoming sustainable industry rewards, which used to be non-price factors, suggesting that these are now being considered in their business discussions and expressed concern regarding the Contracts for Difference (CfD) system. They referred to its failure in the recent CfD Allocation Round 5 (AR5), but saw improvements in Allocation Round 6. However, they believe lessons from AR5 should be implemented to prevent future issues. They stressed the importance of the CfD system in encouraging developers to build and suppliers to invest in the UK and suggested that subsidies or schemes to support ownership of land where the project will be constructed could make this process more appealing. This is due to challenges with securing privately owned land for prospective projects as a result of price and related agreements.

Although not mentioned by interviewees, there are also socio-economic factors that drive the industry such as obligations set out in leasing agreements. As part of ScotWind, the use of the Supply Chain Dev Statements (SCDS) and the recently announced SIM update in February 2024 are examples of where private sector is 'pulling' investment. In the Round 5 tender, (ongoing) OFW bidders are required to prepare socio-economic plans and identify primary and secondary ports at least 5 years before consent which is likely to change the risk profile for associated supply chains & developers.

Feedback also suggests that programs such as the CfD scheme, local content processes, and investment incentives are fragmented and need to be more integrated. It is argued that clearer benefits should be communicated for companies close to certain locations. An interviewee also noted the complexities of interdepartmental discussions involving DIT, DESNZ and Treasury, and suggested a shift towards more centralized decision-making processes, reducing regional influence.

Feedback from one funding recipient suggests they are heavily involved and engaged with government on achieving net zero and are pivoting towards clean roads and innovation. Any policy decisions that are designed to promote and increase the likelihood of green investments whilst stimulating economic growth are viewed positively and supported. This funding recipient stated it is also attempting to implement complimentary policies and cited freeports as a good example of stimulating long-term growth.

The same funding recipient would also like to see a greater number of longer-term agreements rather than small amounts of funding here and there to provide additional certainty to investors and developers which may encourage them to invest further (e.g. multiple-year allocations, annual auction rounds, and CfDs).

Interviews with funding recipients taken place in **October 2023** show that the UK's offshore wind manufacturing and industrial base faces several key challenges:

1. **Technical and construction issues:** The development and delivery of funded projects faced significant technical issues during construction phases. During one project, unexpected relic foundations uncovered at the project site led to delays, while another project was required to redesign its building which increased the amount of steel and concrete materials needed, causing costs to substantially increase. These risks may always be present, however can be mitigated to varying degrees by the developers approach to engineering design and Front End Engineering Design (FEED) studies. Depending on the scale of these studies, the cost may also be prohibitive.

2. **Commercial challenges:** The existing lack of revenue certainty (contributed to by CfD) combined with delays in receiving OWMIS funding impacted final investment decisions, in addition to the planning, construction, and procurement phases of funded projects, also in turn impacting further financial planning. This highlights the need for effective contingency planning and measures in place to mitigate delays which often take place in construction projects.

   Although this type of risk is CfD impacted, the time needed for supply chain investment can be out of alignment with CfD (less so now with the introduction of annual rounds, however, there are milestones in the CfD to be met). The impact of the SIM project in ScotWind should have a positive impact on programme risk.

3. **Skills Shortage:** Skills capacity in the UK has been a concern, especially after Brexit, which has limited the mobility of non-UK residents to deliver hands-on training. There is a need for training on specialised production lines and technicians with high-voltage and welding skills.

4. **Macroeconomic conditions:** The Russia-Ukraine conflict and subsequent economic impacts, including inflation and supply chain disruptions have affected costs and machinery procurement.

5. **Regulatory issues:** During remediation activities, one project encountered regulatory challenges when contaminated materials were discovered during construction highlighting the potential for unexpected delays.

   Government policies relating to energy and net zero also impact OFW projects, with feedback suggesting the need for more integrated/national programs and less regional influence.

Despite these challenges, several successes and lessons have been noted. Projects are progressing well with significant milestones achieved. such as £367m worth of commercial financing secured and hundreds of jobs created based at project sites.

In terms of early impacts of the OWMIS scheme, it has stimulated local economic development, job creation, and private investment. It has also influenced industry perceptions positively. However, more streamlined processes and shared accountability in contract agreements are suggested improvements.

OWMIS support with challenges faced by the offshore wind manufacturing industry

The Offshore Wind Manufacturing Investment Scheme (OWMIS) has provided significant financial support to the offshore wind manufacturing industry in the UK. However, it is perceived by interviews to be lacking the necessary scale of grant funding required by the industry to enable it to match the progress made internationally.

Funding and policy support provided through scheme has rendered the management of complex brownfield sites more cost-effective and commercially viable. The scheme is regarded as instrumental in reinforcing the long-term commitment of the government to clean growth and the UK's OFW manufacturing sector. It has increased the certainty and security of local supply chains in locations within the UK by funding projects within close proximity to manufacturers, fostering innovation, creating synergies and forming stronger connections with manufacturers. Furthermore, it has provided confidence to companies to invest and support tier 1 companies. However, the wider effectiveness of the scheme on the supply chain at a national level remains unclear.

Despite the commercial challenges caused by delays in receiving OWMIS funding, the scheme has attracted substantial additional investment into the UK. The scheme has not only supported these companies financially but also helped to secure their presence in the UK, which would have been uncertain without OWMIS.

The scheme has also contributed to resilience against external macroeconomic factors such as international conflict. For example, funding recipients were able to mitigate rising costs and procurement challenges by securing orders early.

Overall, the OWMIS scheme has demonstrated its value in advancing the offshore wind manufacturing industry in the UK. It has facilitated the construction of high-tech facilities, attracted foreign investment, and created jobs. However, it still needs to address the skills shortage issue, improve its funding timeline, and adapt to ongoing challenges encountered during delivery. It should also maintain its focus on addressing commercial and regulatory challenges to continue supporting the growth of the industry.

In terms of improvements, the scheme could benefit from more agility in decision-making, clearer communication of timelines and objectives, and a more comprehensive support system for inward investors. The scheme should also consider the implications of competing projects and the need for skill and workforce management.

Outcomes for the UK offshore wind industry without government support provided through OWMIS

Without government funding, the progress and efficiency of projects would have been significantly reduced. Feedback gathered from interviews with funding recipients highlighted the importance of seizing opportunities to establish a market in particular regions in order to reduce the risk of markets rooting elsewhere if a window of opportunity was missed, from which recovery would be extremely difficult.

It is likely that fewer investors would have invested into the UK market, as it would have been more difficult for them to justify investing without government backing.

Government support through OWMIS has been instrumental in capitalising on opportunities as they arise, preventing companies from relocating or shifting their focus to international markets. Without OWMIS support, feedback suggests funding recipients may have still achieved progress, but at a much slower rate.

Recommendations

The evidence collected in this updated report on delivering OWMIS highlights the following points for the Department to consider as areas for potential new and updated actions.

1. **Providing longer application lead times** would help to increase the quality and therefore the usefulness of future private sector responses, which in turn reduces inefficiencies around the application process. This is a complex issue because ‘agility’ in government responses is, of course, an important consideration. However, to the extent that application lead times could be extended by avoiding administrative delay’s in launching future competitions this would be advantageous to maximising the quality of proposals.

2. Related to formal application lead times consultees stressed the advantages of **greater ‘heads-up’ awareness of pending competitions** (formal or informal in nature) in order to give the industry more time to think-through and plan their responses, collate the required data, and make the initial in-principle bid/no bid decisions that would initiate these preparatory activities. Examples mentioned were Q&A briefing sessions prior to competition launches.

3. **Application optimisation**, providing a clear ranking of application assessment priorities rather than simple point-based weightings would help applicants to respond more effectively.

4. **Application process streamlining**, it would be useful to ensure that there is a single point of contact who acts as a ‘gatekeeper’ and shares information within HMG as appropriate. This will avoid needing to re-share documentation and will generally improve the efficiency of the application process.

5. **Request for additional information from applicants** such as resource plans. In Offshore Wind Leasing Round 5 for the Celtic Sea, bidders were required to submit skills development plans, apprenticeship plans, a new employee plan and social value plans. Tenders are increasing the amount of information requested to determine readiness for investment and social contribution, in addition to jobs.

6. **Managing application-specific risks**, the time lags between application drafting, submission, award decisions and the eventual commencement of activities may generate resource availability risks. It is therefore worth considering whether improvements need to be made to how much risks are identified, communicated and mitigated. One potential solution might be a stipulation to regularly update a delivery risk register over this extended process.

7. **Provide better technical guidance**. Consultees highlighted the advantages of having access to better guidance on terminology in competitions.

8. **Recognise the differences between responding companies**, given different companies sizes, market focus, capabilities and accumulated experience avoiding ‘one size fits all’ framing would be useful.

9. **Application progress updates**, improving applicants'' access to updates on their progress would be useful. This would help applicants to judge how best to link the particular funding opportunity with their wider decision-making over alternative avenues and related investment decisions. Potential solutions would lie in a mid-point review of perhaps in adopting a communicated 'Stage-Gate' framework with key stop/proceed points.

10. **Bid feedback via a meeting** (if requested), written feedback does not always provide a rich enough basis for improving future applications. Consequently, it would be useful to offer an opportunity to discuss unsuccessful applications in greater detail to boost learning and to avoid discouraging future applications.

11. **Encourage or stipulate stronger comprehensive impact risk assessments for resource dependencies** by HMG and industry. When planning new industry development support programmes, and when stipulating competition parameters, it is very important to consider likely resource availability access in practice (e.g. access to skilled labour). For HMG this will require looking across multiple programmes and initiatives that may compete for resources (skilled workforce, steel, concrete etc) and thus identify impact risks and appropriate risk mitigation measures. For industry, the same resource access constraints will need to be considered, and be seen to be considered effectively, in a similar cross-cutting manner (i.e., beyond offshore wind per se). Although this is basic rational decision-making this aspect can get overlooked during efforts to provide new funding (by HMG) and to access that funding (by industry). This point is of particular relevance to the new GIGA work.

12. **More effective engagement with overseas companies and potential inward investors**, Given the benefits of attracting highly capable overseas companies to the UK (especially those with experience lacking currently domestically) and more general inward investment attraction, a stronger focus on this aspect in future competition design would be useful. This international engagement would need to span many of the recommendations made above regarding advance awareness of future competitions, application lead times, and impact risk assessments and other aspects. In each area, an explicit consideration of how best to reach and engage with overseas companies is likely to be very useful. One idea might be to work with our embassies to hold appropriately timed overseas briefing sessions on the international business opportunities provided by the growing UK offshore wind industry.

Annex

Table 2: Programmes consulted for OWMIS design[19]

Strand	Programmes consulted and relevant lessons
MPH	The £10M investment to Siemens / Associated British Ports in 2010. The learning was this support was not sufficiently ambitious, while the criterion of proving a credible commercial investment prospect in the port was retained as a filter. Other previous capital grant schemes, notably the Regional Growth Fund and Exceptional Regional Growth Fund (eGRF). The criteria and process requirements were adapted for the MPH, "to reflect the different competitive environment and the more 'infrastructural' nature of the proposals". Ongoing preparations for the Freeports programme.
MIP	A previous Scottish Government[20] attempt to secure a turbine manufacturing facility in Leith in the late 2000s. The learning was to develop a realistic commercial offer before engaging investors. The Environmental Transformation Fund Offshore Wind Capital Grant Scheme run in the 2010s. Several learnings were taken including: building in scope for commercial flexibility; a range of milestone documentation; and business failures. The Regional Growth Fund (RGF) and eRGF. In addition to sequential bidding, the requirement for a counterfactual offer from another country was removed. The Automotive Transformation Fund which targeted supply chain growth in a similarly strategic sector within a comparable timescale.

[19] OWMIS Full Business Case.
[20] At that time, Scottish Assembly.

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