Contracts for Difference Clean Industry Bonus - Final Stage Impact Assessment

Title:	Contracts for Difference Clean Industry Bonus – Introducing Onshore Wind and Other Scheme Changes – Final Stage Impact Assessment
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1. Summary of proposal

Purpose of the Impact assessment

This Impact Assessment (IA) considers proposed changes to the Contracts for Difference (CfD) Clean Industry Bonus (CIB) scheme, which was originally introduced to incentivise investment in cleaner, more resilient supply chains. This IA does not seek to re-justify the CIB scheme itself; rather, it focusses on assessing the implications of specific changes to the scheme from Allocation Round 8 (AR8) onwards.

The changes covered are:

- Changes from Allocation Round 8 onwards:
  1. Introducing fair work practices through a Fair Work Charter (FWC).
  2. Mandating funding to the Industrial Growth Plan (IGP), with the potential for the IGP to add skills to its portfolio of investments in 2027.
  3. Switching from a 'pay on generation' to a 'pay on delivery' mechanism.
  4. Refining processes based on lessons from AR7.
- Changes from Allocation Round 9 onwards:
  5. Inclusion of Onshore Wind (ONW) projects.

The quantitative assessment included in this document focusses primarily on the proposal to introduce additional subsidy for ONW CfD projects via the CIB and the switch to a 'pay on

delivery' mechanism, as these changes have the largest impact and can be more readily quantified than other scheme changes. The previous AR7 IA[1] addressed impacts at the inception of the scheme for Offshore Wind (OFW) and Floating Offshore Wind (FLOW), whilst this document addresses changes applying from AR8 onwards.

The policy decision to introduce ONW to the CIB in AR9, rather than AR8, allows developers and suppliers time to prepare robust proposals, enabling stronger bids and greater economic impact.

An assessment of each of the other scheme changes is included for completeness. The introduction of a FWC, and the future establishment of a skills investment fund, aim to improve job quality and workforce capability with light touch administrative requirements and minimal cost implications.

Consumer bill implications are assessed at a whole-scheme level, as they depend on auction results and total CIB budget allocation. It is not possible to isolate ONW consumer bill impacts, as auction outcomes and the resulting technology mix cannot be predicted. For the proposed switch from 'pay on generation' to 'pay on delivery,' the change in consumer bill implications is modelled at a whole-scheme level. Additionally, the ONW modelling includes a sensitivity scenario to assess impact of 'pay on delivery'.

CIB background

The CfD CIB scheme encourages sustainable choices during the deployment of OFW and FLOW by rewarding developers who choose to invest in cleaner manufacturing facilities and in the UK's most disadvantaged communities, supporting a more resilient and responsible supply chain.

The CIB does this by covering the difference in cost between more expensive but more desirable supply chain investments, versus cheaper but less desirable investments. This is in effect the difference in cost between investing in cleaner or more sustainable facilities, or in facilities with shorter supply chains from within the UK, versus dirtier or less sustainable facilities elsewhere.

Where investments are made in the UK, they will only be in our poorest communities, ex-industrial, port and coastal towns, as per the manifesto commitment.

Eligibility criteria

There are two criteria against which eligibility may be granted, and bonus funding may be awarded:

- Criterion 1: investment in supply chain in the most deprived parts of the UK
- Criterion 2: investment in cleaner supply chains (firms signed up to the Science Based Targets initiative for the reduction of carbon emissions)

Specifically, CfD CIB provides additional CfD revenue to applicants based on the fulfilment of eligibility criteria. This counters the "lowest price wins" aspect of the CfD, which inhibits supply chain investments.

[1] Contracts for Difference Sustainable Industry Rewards - Final Stage Impact Assessment

CIB performance to date

In AR7, the CIB allocated £204 million to OFW and FLOW projects.[2] It is expected that for every £1 spent on the bonus, it could leverage up to £17 of private sector investment, mainly into some of the UK's most deprived communities – providing a huge return for communities from clean energy projects.

The first round of the CIB (AR7) delivered strong industry engagement and significant supply chain support, confirming the scheme's effectiveness. Evaluation findings highlighted strengths in communications and process design but also identified areas for improvement such as clearer supplier guidance, better alignment with CfD timelines, and enhanced granularity in eligibility criteria. These insights informed the proposed changes and are discussed in detail in Section 7.

These insights will inform future ARs and scheme performance will continue to be monitored in line with the M&E plan (see Section 7).

Proposed changes

This proposal covers Allocation Rounds 8, 9 and 10. Under current regulations, the CIB can apply to CfD rounds 7 through 9. However, the CIB sunset clause will be extended to allow applications to rounds opening before 31 December 2028, which means the CIB could also apply to AR10.

The following policy positions have been confirmed:

- **Expand the CIB to include Onshore Wind** (ONW) CfD projects, leveraging recent policy changes that have significantly improved the development landscape for ONW. These changes include:
    - Lifting the 'de facto ban': Since 2015, planning rules and guidance made it extremely difficult for new onshore wind projects to gain consent in England, effectively halting development. This restriction has now been eased, allowing projects to progress more readily through planning.
    - Nationally Significant Infrastructure Projects (NSIP) inclusion: ONW projects above a certain capacity threshold can now be considered under the NSIP regime, streamlining planning and consenting processes for larger developments. Notably, the threshold was lowered from 300 MW to 100 MW, significantly expanding eligibility for this process.
    - ONW Council: A government-industry partnership created to accelerate deployment, address barriers, and ensure ONW plays its role in meeting Net Zero and energy security objectives.

  ONW's role is a proven, low-cost technology supporting Net Zero and energy security. This change will only apply from AR9 onwards, therefore is applicable to Allocation Rounds 9 and 10.
- **Introduce fair work practices through a FWC**, promoting good jobs and fair conditions as per the manifesto commitment. This change is applicable to Allocation Rounds 8 to 10.
- **Mandate funding to the Industrial Growth Plan (IGP) delivery body.** The IGP is the offshore wind industry's own funding pot for supply chain investments, but currently relies on voluntary contributions from developers meaning there is a risk of

[2] Record renewables auction supports 7,000 jobs and £3bn investment - GOV.UK

underfunding and developers pulling out of their voluntary commitments. The government has proposed to mandate (private) funding to this body, and will also work with the delivery body to explore the potential to add skills to its portfolio of investments in 2027, with the CIB requiring contributions from developers. Supporting skills will help build UK capability and resilience. This change is applicable to Allocation Rounds 8 to 10.

- **Switch from a 'pay on generation' to a 'pay on delivery' mechanism** from AR8 onwards, aligning incentives with timely project completion and commissioning. This change is applicable to Allocation Rounds 8 to 10.
- **Refine processes based on AR7 lessons**, including clearer timelines, formalised sub-budgets, project-level bids, flexibility clauses, extending the sunset clause to 2028, and simplifying budget expressions. These changes are applicable to Allocation Rounds 8 to 10.

2. Strategic case for proposed regulation

Policy context

The first round of the CIB (AR7) delivered strong industry engagement and significant supply chain support. Building on this, the 'Clean Energy Industries Sector Plan' commits to explore expansion to other technologies and introducing new eligibility criteria.

The August 2025 consultation[3] sought views on adding workforce protection and skills development requirements, ensuring OFW remains a magnet for talent and aligning with the manifesto commitment to make receipt of the CIB payments conditional on quality jobs. It also considered extending the scheme to ONW and improving its design and operation. These changes aim to strengthen the CIB's role in supporting the UK's clean energy mission, developing sustainable supply chains, and delivering economic and social value to priority regions.

The UK Government has committed to achieving a fully decarbonised electricity system by 2035, subject to security of supply considerations, and has set ambitious targets to deploy renewables, with an ambition to deploy up to 10GW of ONW.[4] Recent policy changes have created an environment for broader deployment. These include lifting the de facto ban on ONW in England, reintroducing ONW projects back into the Nationally Significant Infrastructure Project regime and establishing the ONW Council. These steps are positive, but the underlying challenges remain. The CfD scheme incentivises developers to minimise costs over wider benefits. To address this, targeted policy interventions are needed to strengthen supply chains and ensure sustainable growth. Expanding the CIB to ONW would directly support the Government's missions to Kickstart Economic Growth and Make Britain a Clean Energy Superpower.

Current market challenges

The CfD scheme is the Government's primary mechanism for supporting new low-carbon electricity generation projects in Great Britain, including OFW, FLOW, and ONW technologies. While CfD auctions incentivise developers to minimise costs, competitive

[3] Contracts for Difference: reforms to the Clean Industry Bonus, Allocation Round 8 - GOV.UK
[4] New plan to kickstart onshore wind revolution - GOV.UK

pressures drive developers to prioritise cost over wider benefits like jobs, carbon reduction, and supply chain resilience. Evidence from the UK Renewables Deployment Supply Chain Readiness Study[5] highlights that supply chain capacity constraints across OFW, ONW, Solar PV, and networks pose a major risk to achieving deployment targets. These constraints, identified through engagement with over 80 industry stakeholders, stem from global competition for components, over-reliance on imports, and skills shortages in UK manufacturing and installation. Although buying from established markets can reduce unit costs, it also exposes projects to currency fluctuations, and shipping constraints. This reliance on overseas manufacturing, combined with global competition, risks delays, and slower progress toward Net Zero.

Role of CIB and rationale for intervention

Introduced in AR7 for OFW and FLOW, the CIB addresses these pressures by incentivising investment in sustainable manufacturing and shorter supply chains.

The changes aim to encourage high-quality jobs through a proposed FWC, co-created by industry and trade unions, alongside skills development and process improvements. Introducing a FWC can help to strengthen and support the growing workforce in the sector which is crucially needed to deliver against ambitious deployment targets. Extending CIB to ONW would encourage procurement choices that deliver economic, environmental, and social benefits, correcting market failures and improving energy security.

ONW is a proven, low-cost[6] and fast to deploy technology, with the most recent CfD auction (AR6) clearing at a competitive £71/MWh (2024 prices).[7] However, positive externalities, such as carbon emissions reductions, supply chain capacity increase, improved energy security through more resilient manufacturing, and regional job creation, are not wholly reflected in the CfD auction clearing price, justifying government intervention.

Without intervention, the UK risks slower deployment, continued reliance on supply chains with carbon footprints and missed opportunities for job creation and industrial growth. These risks would undermine the Government's Net Zero commitments and energy security objectives.

Ensuring Value for Money

The CIB is designed to represent best value for money (VfM) by providing subsidy payments at the minimum level required through a competitive allocation process. These subsidy payments cover the additional costs developers incur when choosing more desirable supply chain investments, such as cleaner manufacturing facilities or investments in deprived communities, rather than cheaper, less sustainable alternatives.

The applicants are required to meet minimum standards of the CIB to ensure projects deliver genuine additionality and avoid compensation for business-as-usual investments. Without these standards, developers could receive financial rewards for actions they were already planning to take, undermining the purpose of the scheme. By making ONW minimum standards mandatory only for projects bidding for additional ("Bonus") funding, the scheme

[5] UK renewables deployment supply chain readiness - GOV.UK
[6] New plan to kickstart onshore wind revolution - GOV.UK
[7] Contracts for Difference (CfD) Allocation Round 6: results - GOV.UK

ensures that any extra financial support is tied to meaningful, above-and-beyond commitments.

To further mitigate VfM risks under conditions of uncertainty, the competitive auction design incorporates a suite of tools that maintain competitive tension and enable flexible intervention. These include:

- Discretionary budget revision powers - to prevent inflated bids and maintain VfM.
- Budget constraints - to limit downside risk and preserve competitive pressure.
- Hidden sub-budgets - to discourage strategic gaming and ensure fairness.
- Sub-budget specific maxima - to preserve allocation flexibility and control spend.

These are detailed further in the *Managing VfM risk* section. Together, these mechanisms create an opportunity to fund meaningful, high-quality projects while actively managing uncertainty, providing complete optionality and ensuring that public funds deliver strong economic and strategic value. The extension of the CIB scheme to ONW therefore, unlocks the opportunity to fund impactful projects aligned to HMG's strategic goals, whilst minimising downside risk.

Proposed changes to the CIB aside from ONW inclusion

Beyond the inclusion of ONW, the following strategic changes are proposed:

- **Introducing a new criterion to improve workforce protections** by requiring developers and suppliers to sign up to an interim OFW Fair Work Charter (FWC), aimed at promoting good jobs and fair conditions, supporting the growing workforce which is needed to deliver against ambitious deployment targets. The Charter will do so by asking developers and supply chain companies to meaningfully deliver on the Employment Rights Act provisions to improve union access to the workplace (note: access, not recognition).
    a) Through the FWC's aims to improve employment conditions in the sector, it is plausible that productivity benefits could arise through better workforce representation. Costs for FWC signatories could also plausibly fall, through reduced staff churn and fewer industrial disputes and delays.
    b) There are, however, risks that the new requirements may marginally increase costs and reduce engagement with the scheme, which could have negative implications for competitive tension and, correspondingly, VfM.
    c) On balance, our current view is that the FWC, in its interim form, is not associated with any significant VfM implications though it will require some light-touch administration from developers and supply chain companies as part of their CIB applications.
- **Mandating funding to the IGP, with the aim to also make money available to invest in skills from 2027**.
    a) The Offshore Wind Industrial Growth Plan (IGP), the offshore wind industry's plan for supply chain investments, has nominated the Offshore Wind Growth Partnership as its delivery body – i.e. an organisation managing pooled contribution from offshore wind developers to invest in supply chains. The Offshore Wind Growth Partnership is not funded by public money.

b) The government has proposed mandating contributions to the Offshore Wind Growth Partnership as a condition of CIB eligibility right now, contributions from industry are only voluntary). In doing so, the government and private sector can guarantee the fund is capitalised through private finance, and there is a level playing field for all CfD applicants who all face the same requirements. In addition, the government will work with industry to explore whether the Offshore Wind Growth Partnership will take on skills in its mandate from 2027, on top of supply chain funding. The government will work with the Offshore Wind industry in 2026 to confirm whether this is feasible.
c) Pooling funds and delivering skills initiatives through this coordinating body could unlock economies of scale and allow targeted investments across the supply chain, which may not be possible under a project-level approach. This is part of the government's agenda to increase private sector investment in good jobs.
d) No additional cost burden is introduced for developers. Contributions to the skills fund would be absorbed within the existing industry payments to the Offshore Wind Growth partnership (i.e. no additional funding requested of developers). This ensures VfM implications are minimal.

- **Switching from a 'pay on generation' model to a 'pay on delivery' model**, bringing forward the payment profile for CIB payments from AR8 onwards. This could reduce project financing costs, by reducing the gap between delivery of CIB investments and compensation for those investments (the 'payment gap'). This could reduce the reliance on debt-financing and lower the overall cost of financing CIB-related investments The impact of this change is discussed further in the *Consumer bill impacts section.*
- **Further minor amendments are proposed to refine processes and address issues identified during initial implementation in AR7**. This includes clearer and earlier publication of CIB timelines, formalising sub-budgets in regulations, and allowing project-level bids. A new clause would allow flexibility where commitments can't be met due to circumstances beyond a generator's control. It also extends the scheme's sunset clause to 2028 and simplifies budget communications.

3. Objectives for intervention

There are key policy objectives underpinning the Government's proposal to refine the CIB in AR8 onwards of the CfD scheme:

- **Supporting deprived areas and increasing acceptance of Net Zero policies:** Encourage investment in socio-economically deprived communities, creating high-skilled jobs and fostering support for Net Zero policies.
- **Increasing the sustainability and resilience of the supply chain:** Incentivise investment in cleaner manufacturing and address constraints that risk deployment delays.
- Strengthen **workforce protections and skills**: Promote fair employment practices, improve job quality, and build a skilled workforce to enhance productivity and reduce risks of disputes or delays.

The objectives of the scheme directly support the Government's missions to Kickstart Economic Growth and Make Britain a Clean Energy Superpower. The accompanying Theory of Change (section 7) sets out more specific targets and measurable outcomes across short, medium, and long-term horizons, ensuring clear alignment between interventions and intended impacts.

4. Description of proposed intervention options and logical change process

Rationale for shortlisting options

A decision matrix was developed to prioritise which technologies should be recommended for inclusion in the CIB from AR8 onwards. While the CIB currently applies only to OFW and FLOW, the long list of options initially considered including ONW, solar, and tidal stream.

Following shortlisting, ONW was identified as the most compelling case for extension, due to its alignment with strategic priorities and evidence of market failure.

These decisions were in part informed by Monitoring & Evaluation findings (discussed in section 7), which confirmed that the CIB is operating effectively and in line with its intended purpose. Consequently, alongside the proposed ONW extension, a number of smaller scheme changes, such as introducing a FWC, supporting skills investment, and adjusting payment models, were deemed proportionate to strengthen the scheme without altering its core design.

Consideration of Non-Regulatory Options

Non-regulatory options for stimulating demand in ONW were considered; however, none were identified that would deliver impact at sufficient scale. As a result, regulation is the only viable option to achieve the intended outcomes. This is because creating enforceable obligations and ensuring additionality requires statutory powers, which guidance alone cannot provide.

Alongside regulatory proposals, a range of non-regulatory options were also considered and, in some cases, taken forward. These include process improvements, guidance updates, and contractual adjustments such as introducing a 'pay on delivery' mechanism. These changes do not require amendments to the statutory instrument and are being implemented through scheme operations rather than legislation. They were consulted on due to their potential impact on participant experience and scheme delivery. Informal consultation on process improvements was undertaken via a questionnaire, and these changes aim to strengthen delivery without altering the core regulatory framework.

Payments: Options considered

To improve payment timelines, two options were considered. These are non-regulatory, but were consulted on as they were deemed to carry a sufficiently significant impact:

Option A: Allow payments to be made before the CfD Start Date upon release of a full Implementation Statement, meaning all investments toward minimum standards and extra proposals have been completed and verified. This ensures compliance while improving timelines versus current arrangements.

Option B: Enable conditional payments before the CfD Start Date once investments related to extra proposals have been verified, demonstrated through a conditional Implementation

Statement. This approach could significantly reduce financing costs and lower bid prices but would require a clawback mechanism to protect against non-delivery of minimum standards.

Chosen approach: Option B was ruled out because of concerns surrounding the implementation of clawback clauses, which would have been necessary to protect funding. Option A has been retained but refined to better align with contract structures. Under the chosen approach, there will be one Implementation Statement released per CfD unit[8] and payments will only be released once all Implementation Statements have been submitted and verified. This change allows participants to be paid 1–3 years earlier than under current arrangements, by releasing payments as soon as all required investments have been made.

Overarching Scheme Changes: Options Considered

Option 0: Do nothing.

No changes from Allocation Round 7 (AR7). Scheme will remain as existing: additional payments for OFW and FLOW CfD projects via the CIB scheme.

If ONW is not included in the CIB, ONW developers will have no financial incentive to change supply chain practices. In a competitive CfD auction, the "lowest price wins" dynamic will continue to dominate, driving developers to prioritise cost minimisation over wider benefits such as domestic job creation, cleaner supply chains, and regional investment.

This scenario would undermine the Government's strategic ambitions and exacerbate existing market failures.

Option 1: Introduce additional payments for ONW CfD projects via the CIB scheme from AR8 and introduce additional scheme changes in AR8.

This option represents an extension of the current scheme, with the introduction of an additional subsidy for ONW CfD projects via the CIB from AR8. This accelerates incentives for ONW developers but provides less time for market participants to familiarise themselves with the scheme and prepare robust proposals.

From AR8 the proposals include improving workforce protections through a FWC, mandating funding to IGP, switching to a 'pay on delivery' mechanism and refining processes following AR7.

Option 2 (final policy position): Introduce additional payments for ONW CfD projects via the CIB scheme from AR9 and introduce additional scheme changes in AR8.

This option also extends the current scheme, with the introduction of an additional subsidy for ONW CfD projects via the CIB from AR9. This approach allows developers and suppliers more time to understand the scheme and prepare investment proposals, building confidence and supporting stronger, more competitive bids. Consultation responses reinforced earlier industry feedback that there is little appetite for an ONW bonus in AR8 and strongly supports the need for additional time. Developers highlighted several barriers, including the short lead-in time for AR8 (January to May 2026), which would require major procurement and CfD strategy changes at very short notice. Only one developer indicated they would definitely bid in AR8, and any bids submitted would likely be rushed, undermining VfM.

[8] "CfD unit" means the whole or part of an eligible generating station bidding into the auction round.

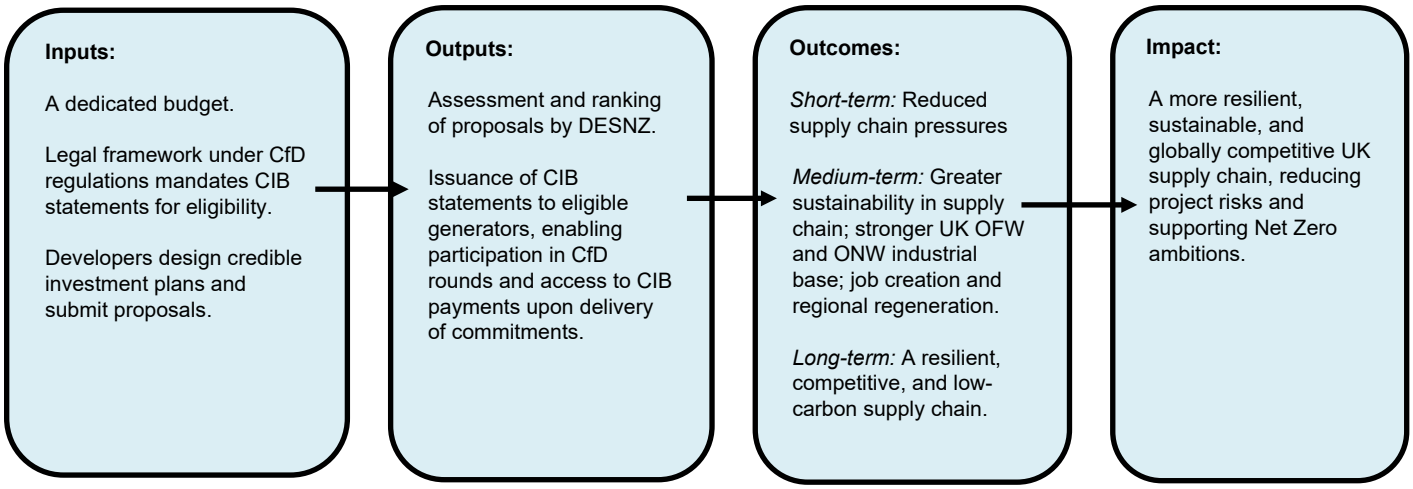
From AR8 the proposals include improving workforce protections through a FWC, mandating funding to IGP, switching to a ‘pay on delivery’ mechanism and refining processes following AR7.

This is the option taken forward for all analysis and results in this IA.

Theory of Change high level overview

This figure presents a condensed CIB-specific Theory of Change (ToC). It is designed to provide a clear, high-level view of how the CIB intervention is expected to deliver outcomes and impacts. The full ToC model is detailed and interacts directly with the wider CfD ToC and evaluation framework, which is scheduled for completion in Spring 2026, and publication in Summer 2026. The monitoring and evaluation of CIB is discussed in more detail in the *Section: Monitoring and evaluation of preferred option.*

Figure 1: Theory of Change high level overview



5. Business impact of preferred option

Inclusion of ONW:
The UK ONW supply chain is significantly less mature than OFW, with a small supplier pool. Most major components for ONW (e.g., towers, blades, electrical systems) are currently imported, creating strategic vulnerabilities and leaving few UK-based manufacturers.

The current operational fleet of ONW farms with capacities of 5 MW or more comprises over 500 individual projects, compared to roughly 50 projects in the OFW sector for an equivalent level of capacity. This means there are more developers active in ONW, including many small-scale developers with limited portfolios. However, despite this diversity, the majority of operational capacity and the planning pipeline is concentrated among a small group of large developers.

It is expected that the proposed policy will not significantly impact the administrative costs of small and medium sized businesses. Whilst the proposal requires developers to submit supply chain documentation, this is unlikely to impact their supply chain counterparts as information should not be beyond the scope of the BAU procurement process (e.g. information gathering on financing needs, benefits of investment, technical specifications).

Any additional costs will primarily reflect work needed to prepare proposals using existing knowledge, meaning most effort is already captured within standard administrative costs.

Importantly, participation in the scheme would be entirely optional, further reducing any potential compliance burden. Developers who consider the administrative costs to outweigh potential benefits can choose not to bid. This opt-in nature ensures the scheme remains net positive for participants. Therefore, additional burden to small or medium-sized business is expected to be negligible. Principally, as the policy is designed to benefit businesses, there are likely positive, indirect impacts for small and medium-sized business within ONW supply chains.

As discussed in section 8, to estimate marginal administrative costs of including ONW in the CIB from AR9 onwards, the additional administrative costs per firm are estimated at £1,500 to £4,000 (2025 prices) for AR9. These costs are minimal relative to the wider benefits of the policy, which include improved supply chain resilience, job creation, and regional economic growth.

Other scheme changes:
Other scheme changes are similarly not expected to add significant costs to business. It is expected that bringing forward payments under a new 'pay on delivery' mechanism will reduce project financing costs overall for developers, which could plausibly feed through to lower consumer costs. The Fair Work Charter aspect will commit applicants to meaningful implementation of the Employment Rights Act and ask for best practice in this regard – entailing some extra administrative requirements (e.g. organising union access). This does not fundamentally affect overarching costs.

Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		**Directional rating**
Description of overall impact	The overall impact associated with the introduction of ONW into CIB is uncertain but estimated to be positive overall. Estimated societal benefits are strengthened further when monetised impacts are combined with strategic and non-monetised factors. Under conservative assumptions, the proposal approaches breakeven, and under optimistic assumptions, it delivers strong VfM. Overall, the introduction of ONW into the CIB is estimated to have a positive net impact, reflecting benefits that extend beyond direct financial returns. CIB payments will be made to developers for the delivery of supply chain enhancements which induce benefits associated with economic, social and environmental sustainability. The analysis contained within	**Positive**

	this assessment considers impacts principally at the societal level, including carbon reduction, regional employment, and supply chain resilience improvements. The overall impact of other scheme changes including the FWC, future establishment of a skills investment fund and process improvements are expected to be positive. The introduction of a Fair Work Charter aims to encourage high quality jobs and support the growing workforce in the sector which is crucially needed to deliver against ambitious deployment targets. Supporting skills will help to build UK capability and resilience in the sector.	
Monetised impacts	The monetised impacts relating to ONW inclusion are detailed in the *Summary: Analysis and evidence* section below, which provides further details about the analysis undertaken, including the underlying methodology. This box provides a summary of the key monetised analysis for ONW inclusion specifically. **On a per-MW basis, the Net Present Social Value (NPSV) ranges from -£0.05m in the Low scenario to £0.14m in the High scenario, while the Benefit-Cost Ratio (BCR) ranges from 0.70 to 2.41.** This means that in the low scenario the estimated costs (the costs of investing in supply chain enhancements) outweigh the estimated benefits (primarily supply chain resilience, carbon abatement and employment) by an estimated £0.05m per MW. In the high scenario, the estimated benefits (primarily supply chain resilience, carbon abatement and employment) outweigh the estimated costs (the costs of investing in supply chain enhancements) by an estimated £0.14m per MW. This monetised analysis is presented with a level of uncertainty, which is addressed through the application of a scenario-based approach resulting in a wide estimated range. The monetised analysis is applicable to ONW only. Uncertainty remains around the pipeline capacity that could seek to participate during the CIB period; hence results are provided primarily on a per MW basis but also scaled up results according to the internal department estimates of potential capacity. When scaled to the potential capacity, overall NPSV ranges from -£65m to £80m, and BCR ranges from 0.6 to 1.96.	**Uncertain** **Based on likely £NPSV**

Non-monetised impacts	Although ONW is a mature technology, targeted intervention could unlock a range of strategic, non-monetised benefits for the UK economy and energy system: **Strengthening domestic manufacturing and supply chain resilience**: Incentivising manufacturing investments through CIB could build-up supply chain capability, improve lead times and reliability and create skilled jobs in regions with existing energy infrastructure. **Innovation in deployment and logistics:** The UK's unique planning and transport constraints, particularly in Scotland, create opportunities for innovation in turbine design, modular construction, and logistics. Supporting these innovations could lower deployment costs, enable access to more constrained sites and generate transferable knowledge for other infrastructure sectors. **Market signalling and investment confidence:** Inclusion in the CIB would send a strong signal to investors and manufacturers, reinforcing policy commitment and supporting long-term planning. **Industrial strategy alignment:** ONW supply chain development aligns with broader UK industrial strategy goals, including decarbonisation of heavy industry, regional economic development, energy security and resilience. **Emissions Reductions Beyond UK Borders:** By incentivising sustainable supply chains and domestic manufacturing, the UK could reduce emissions associated with international transport and offshore production. While these benefits occur outside UK territorial emissions accounting, they contribute to global decarbonisation and strengthen the UK's leadership in sustainable energy practices. **Leveraging Additional Investment:** Although difficult to quantify precisely, CIB inclusion is likely to catalyse further private investment in UK manufacturing capacity, innovation, and infrastructure. This multiplier effect would amplify the economic and strategic benefits of the intervention. For example, for AR7 it is expected for every £1 spent on CIB, it could leverage up to £17 of private sector investment.[9] Other scheme changes, such as the introduction of the FWC and support for skills are expected to generate positive non-monetised impacts. The FWC is intended to strengthen the workforce needed to deliver on HMG's ambitious deployment	**Positive**

[9] Funding boost for Clean Industry Bonus as bids smash expectations - GOV.UK

	targets. This charter, co-created by industry and trade unions, could for example stimulate productivity benefits through enhanced workforce representation. Costs for FWC signatories could also plausibly fall, through reduced staff churn and fewer industrial disputes and delays. Supporting skills funding ensures that the growing workforce in the sector has the requisite skills to deliver against HMG's ambitious deployment targets.	
Any significant or adverse distributional impacts?	Significant positive regional impacts expected. The CIB scheme incentivises among other things investments into deprived areas of the UK, creating beneficial regional impacts which would give rise to wider regional economic benefits. This is principally reflected in the monetised analysis through the capture of wage premia, as described in the evidence base at the end of this document.	**Positive**

(2) Expected impacts on businesses		
Description of overall business impact	Businesses affected both directly and indirectly by the CIB scheme are likely to be net beneficiaries. Developers, who would be direct recipients of CIB funding, are incentivised to invest in more sustainable supply chains. As a result, the longer-term pressure on supply chains is likely to be reduced which provides greater confidence and certainty to developers. In addition, by boosting the market for UK-based manufacturing and services, the scheme could introduce greater competition and attract new market entrants. This would help diversify the supply chain, reduce reliance constrained legacy supply, and foster innovation within the UK market. Over time, increased competition could lead to improved cost efficiency and resilience, benefiting both developers and consumers.	**Positive**
Monetised impacts	Monetised impacts are captured at a societal level, as described in the table above.	**Positive**
Non-monetised impacts	Benefits as described at a societal level above apply similarly to businesses.	**Positive**

Any significant or adverse distributional impacts?	Distributional impacts are considered at a societal level in the table above.	**Positive**

(3) Expected impacts on households		
Description of overall household impact	Whilst the CIB scheme is associated with very small additional consumer bill impacts (as described below), households stand to benefit in the long run from a more sustainable and diverse energy mix. Decarbonisation gives rise to non-monetisable benefits from a household and consumer perspective and also reduces bill payer exposure to long term gas prices over time.	**Positive**
Monetised impacts	<u>ONW Inclusion</u> Bill impacts associated with ONW inclusion are contingent on the budget assigned and funds awarded, which is yet to be determined and may well be lower than that of OFW and FLOW. However, as an illustrative example, aggregate consumer bill impacts for an average dual-fuel non-Electric-Vehicle household are estimated to be in the region of **£2 per Allocation Round (approximately £0.50 per year over 4 years) based on a hypothetical CIB budget of £200m per AR (as an illustration).** At present, the majority of CfD policy costs are borne by non-domestic consumers. Figures do not account for Energy Intensive Industries (EII) exemptions. These estimates are based on 2024 levels of average household electricity consumption and were produced independent of the department's Average Prices and Bills Model, introducing greater uncertainty. Bill impacts represent the gross subsidy cost on bills and do not factor in whole system impacts including, for example, network costs etc. This illustrative analysis assumes a total budget of £200m per AR across all technologies, however, this figure remains highly uncertain given the flexible budget-setting powers. <u>Switching to a 'pay on delivery' mechanism</u> Switching from a 'pay on generation' model to a 'pay on delivery' model has the effect of bringing forward the payment profile for CIB payments from AR8 onwards. This could reduce project financing costs, by reducing the gap between delivery of CIB investments and compensation for those investments (the 'payment gap'). This could reduce the reliance on debt-	**Negative**

	financing and lower the overall cost of financing CIB-related investments. The extent of the reduction in the payment gap is likely to vary across developers, but for the purposes of analysis, it is assumed that the CIB payment profile is brought forward by an average of 2 years. The extent to which cost savings are passed through to consumers (in the form of lower CIB bid costs) is uncertain, so two scenarios are modelled to demonstrate possible impact; Scenario 1 assumes no cost savings are passed through to consumers, whilst Scenario 2 assumes all cost savings are passed through – this represents the theoretical upper maximum benefit that could result from this change. CIB levy costs are modelled for Allocation Rounds 8 – 10, with an illustrative nominal budget of £200m for each Allocation Round, each split over 4 years. Under Scenario 2 (assuming full savings passthrough), aggregate levy costs for AR8 fall by c.17% compared to that of the counterfactual scenario. The average impact for a typical dual fuel non-EV household would be different because assumed total electricity demand is lower in earlier years, and expected to grow over time, meaning that for a fixed CIB policy cost, the costs are a greater proportion of total demand in earlier years. This illustrative analysis supports the rationale that shifting to a pay on delivery mechanism could reduce levy costs to the consumer, although as described above this is contingent on the extent to which any savings are passed through in the form of lower CIB bid costs. Where competitive tension in the auction does not exist, passthrough becomes less likely and any savings resulting from this change are likely to be minimal. It should be noted that whilst bringing forward the payment profile from AR8 onwards could in theory lower CIB bid prices, the proposed change has the effect of concentrating levy cost impacts in the shorter term (i.e. pre-2030).	
Non-monetised impacts	Non-monetised impacts are likely to include the benefits associated with a more sustainable energy mix, decarbonisation and reduced exposure to long-term gas prices.	**Positive**
Any significant or adverse distributional impacts?	Distributional impacts are considered at a societal level in table 1 above. The impact of consumer bill increases could disproportionately affect households of lower socio-economic background, but	**Neutral**

	this impact is negligible noting the small magnitude of estimated bill increases above.	

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment:	Whilst estimated to be small, the introduction of CIB for ONW creates an additional administrative burden for developers – detailed in section *5. Business impact of preferred option.* The Government anticipates that the proposed policy will ease doing business in the UK and the policy intention is to make investment into new and more sustainable supply chain capacity more attractive for developers.	**Positive**
International Considerations:	The net impact of CIB on international trade is a product of several competing factors. Overall, it is reasonable to conclude it will be broadly neutral. The scheme brings the UK in line with comparator schemes and international best practice, including in France[10], the Netherlands[11], Denmark[12] and Germany[13]. The scheme encourages investment in supply chains, whether in cleaner firms across the globe or in shorter supply chains based in the UK. The scheme focuses on investments made in a more sustainable supply chain, and it is not a procurement mechanism. While there may be indirect procurement effects, as UK firms get more business because of the investments made, global firms are also expected to benefit through the 'encouraging cleaner supply chains' criteria. The scheme also encourages stimulating investments in cleaner supply chain through criteria 2. Extending the scheme to ONW could plausibly lead to a net increase in global ONW supply chain investment and resilience. However, less sustainable ('dirtier') supply chains may lose out.	**Neutral**
Natural capital and Decarbonisation:	The Government considers the measure to have a positive impact on decarbonisation of the UK economy. By offering subsidies directly to developers investing in shortened and more sustainable elements of the supply chain, the scheme could aid in decarbonising the sector. This impact is specifically targeted within the CIB criteria, which will in part assign funding based on bidders' use of Tier 1 suppliers who	**Positive**

[10] https://www.offshorewind.biz/2024/12/27/consortia-led-by-edf-ocean-winds-win-french-floating-wind-tender/
[11] https://windeurope.org/news/the-netherlands-run-another-successful-auction-based-on-non-price-criteria/
[12] https://renewables-grid.eu/app/uploads/2024/08/Accelerating-offshore-wind-and-nature-protection-in-Denmark_FACTSHEET.pdf
[13] statement-on-ecological-criteria-in-owf.pdf

	have adopted Science-Based Targets (i.e. firm-specific decarbonisation plans). In addition, by encouraging cleaner manufacturing and reduced transport distances, the scheme supports improvements in natural capital, such as lower air pollution, reduced carbon emissions, and healthier ecosystems, delivering wider environmental benefits beyond energy generation.	

7.Monitoring and evaluation of preferred option

The monitoring and evaluation of CIB fits into a wider portfolio of monitoring and evaluation within the CfD and OFW, FLOW and ONW sector (including a thorough evaluation of the core CfD scheme between 2018 and 2021). Under regulations, CIB is a temporary intervention spanning from AR7-AR10 inclusive. Budget and resource for M&E has been allocated as part of this wider programme.

A process evaluation carried out immediately following the launch of AR7 provided timely insights into the CIB process. This evaluation aimed to provide direct insights and recommendations to feed into the development of subsequent ARs.

CIB AR7 Process Evaluation Summary

Method:
An early process evaluation was conducted via an online Qualtrics survey sent to all developers who applied for the first CIB round (approx. 15 applicants). The survey, issued before auction results to avoid bias, consisted of 20 questions (mostly multiple choice with some free text) covering application process, timelines, and communications. Responses were anonymous and analysed internally using descriptive statistics for quantitative data and thematic coding for qualitative feedback. QA was performed by impartial analysts to ensure accuracy and consistency.

Results:
The survey received 10 responses, representing most applicants. Overall feedback was positive, noting clear communications, proportionate application requirements, and good understanding of scheme setup.

Key findings:

Communications: Developers valued explainer calls and Q&A documents; most felt confident repeating the process. However, 60% reported suppliers lacked sufficient information, citing early briefings followed by limited updates and last-minute policy changes, which increased complexity and costs.

Timing: 70% felt timelines were adequate, but shifting deadlines complicated planning and misaligned with CfD timelines, creating supply chain uncertainty and forcing accelerated decisions.

Application Process: Seen as proportionate and comparable to similar schemes, but supplier unfamiliarity made obtaining documents difficult. Developers requested templates for supporting documents to streamline applications.

Scheme Setup: Scoring was understood but perceived as discouraging true-cost bidding and investment in new facilities. Developers requested greater granularity in eligible components, inclusion of foundation assembly and vessel charter costs, and clarity on budget size and FLOW sub-budget rationale.

CIB Forward-Looking M&E Plan

M&E objectives for the scheme are outlined below.

M&E Objective 1: To provide timely learnings about the implementation of the CIB to inform for future scheme design.

Timely evaluation of the delivery of each Allocation Round is critical to ensure that the scheme remains effective in achieving its objectives and limits the burden on stakeholders where possible. A process evaluation for each subsequent round will be carried out to ensure that views from relevant stakeholders are collected.

M&E Objective 2: To monitor short and long-term benefits from the CIB, enabling course-correction as needed and informing future assessments of the scheme's impact.

A robust monitoring and benefits realisation plan is being designed to monitor progress and outcome metrics. Specific metrics to be monitored are being developed, with the intention that these will provide valuable insights to inform operational changes to the scheme in addition to collecting key data and information for impact evaluation. A list of actual investment unlocked and their associated benefits will be compiled from the point of CfD contract signature (when monitoring begins) through to the Implementation Statement, which can occur any time between the Milestone Delivery Date and the CfD Start Date. All results will be captured by the CfD Start Date (or any agreed extension).

M&E Objective 3: To evaluate the impact of CIB, and the extent to which CIB objectives have been realised.

Five years following the implementation of CIB there will be a post-implementation review. This review will look to answer the following questions:

1. To what extent is the existing intervention working?
2. Is the existing form of Government intervention still the most appropriate approach?
3. Is Government intervention still required?
    a. If this intervention is still required what refinements could be made? (What scope is there for simplification, improvements?)
    b. If this intervention is not required, but Government intervention in some form is, what other regulation or alternatives to regulation would be appropriate?

Evidence from the process evaluation, monitoring and wider evaluation activities and analysis in this space will be used to inform this review.

8. Minimising administrative and compliance costs for preferred option

The introduction of the CIB scheme for ONW proposed in this Impact Assessment is not expected to significantly increase administrative burdens faced by ONW developers. The

information needed for developers to bid for CIB funding is not anticipated to be materially different from information gathering performed in a business-as-usual procurement process. Any additional costs will mainly reflect work needed to prepare proposals using existing knowledge, meaning most effort is already captured within standard administrative costs.

Therefore, an understanding of the administrative costs of the proposal is only intended to capture the marginal additional cost of this administrative and strategic work beyond what already takes place within supply chain planning. It is also important to note that participation in the CIB scheme is 'opt-in'; if a developer considers that the administrative costs outweigh the potential benefits, they can choose not to bid. This opt-in nature ensures that the scheme should be net positive for participants. Overall, administrative costs are expected to be negligible relative to the wider costs and benefits of the policy.

To estimate these marginal administrative costs of inclusion of ONW into the CIB from AR9 onwards, it is assumed that labour from key roles such as business managers, senior professionals, and administrative staff, with most work assumed to fall to business managers due to the strategic nature of proposals.

Table 1: assumptions used to calculate administrative burden

Hourly labour cost	
Weighted mean hourly wage cost* (£)	£29.78
Weighted mean hourly wage + 20% non-waged costs (£)	£35.73
Labour hours per firm to prepare CIB proposals (Hours, *Full-Time Equivalent*)	
Low value	40 *(5)*
Central value	80 *(10)*
High value	120 *(15)*

**Weighted by assumed labour time across the hourly wage of business managers (30%), high-level business professionals (60%) and administrative staff (10%) based on ASHE Gross Hourly Pay 2025 figures[14].*

The administrative cost burden of preparing CIBs proposals for ONW for each firm is estimated by multiplying the weighted average of hourly labour cost (+20% non-waged costs, in line with government appraisal guidance) by an estimated range of labour hours required per firm.

The most reliable estimate of additional administrative costs is at the firm level. In total for AR9, the additional administrative costs created by the introduction of the CIBs scheme (in 2025 present day terms) are estimated at £1,500 to £4,000 per firm.

Using internal pipeline intelligence, assumptions on the number of firms expected to submit ONW CIB proposals are applied and multiply by per-firm costs to produce an aggregate estimate. This figure is highly uncertain due to the competitive nature of CfD auctions and should be considered illustrative.

To give an illustration of the potential total cost using assumptions for number of firms to enter the CIB for ONW per AR (for AR9 onwards), the additional administrative costs created by the introduction of the CIBs scheme (in 2025 present day terms) are estimated between **£7,000 and £43,000** for the entire ONW sector per AR (for AR9 onwards). This figure is

[14] Employee earnings in the UK - Office for National Statistics. Table 3.5a: hourly pay gross 2025

highly uncertain due to the competitive nature of auctions and should be considered illustrative.

Acknowledging a wide degree of uncertainty around this estimate, it should be noted that due to their small scale, even an order of magnitude increase in these costs (for example, ten times) versus those estimated would not materially influence the net position of the policy.

Declaration

Department:

Department for Energy Security and Net Zero (DESNZ)

Contact details for enquiries:

renewableCIBs@energysecurity.gov.uk

Minister responsible:

Minister Shanks

I have read the Impact Assessment, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:	
Date:	2/2/26

Annex

Summary: Analysis and evidence

Approach and Evidence Base

The costs and benefits of introducing ONW into the CIB depend heavily on the competitive auction process and the nature of bids received. Given these uncertainties, such as unknown auction budgets, the types of projects that will be procured, and a lack of historical evidence, it is not possible to determine precise or robust estimates of wider societal impacts. To address this, an illustrative, scenario-based approach has been adopted, which demonstrates a plausible range of outcomes, rather than precise estimates. This approach aligns with HMT Green Book guidance[15] and provides a plausible range of outcomes while acknowledging uncertainty in the evidence base.

This analysis draws on a combination of:

- External technical expertise
- Stakeholder interviews and consultation responses
- Market intelligence and supplementary research

This mixed-method approach provides a reasoned basis for policy assessment despite limited evidence.

Investment cases evidence

DESNZ commissioned an independent economic consultancy to assess whether extending the CIB in ONW would deliver VfM and support UK supply chain development. As part of this study, stakeholders were asked to provide hypothetical investment cases for UK-based manufacturing facilities. These cases formed part of the core evidence for the cost-benefit analysis and scenario modelling, supplemented by desk-based research and external technical expertise.

Interviewees provided hypothetical investment cases for UK-based facilities, including CAPEX/OPEX estimates, expected output, and employment data. These cases were grouped into archetypes and used to model:

- Cost uplift for UK manufacturing versus overseas alternatives
- Associated benefits such as job creation, wage premia, emissions savings, and regional economic impact

A total of eight investment cases were received related to the following ONW components: 3x turbine tower, 1x turbine blades, 2x switchgear, 2x steel facilities.

[15] The Green Book and accompanying guidance - GOV.UK

Uncertainty and analytical approach

Key uncertainties include auction budgets, procurement scale, proposal types, and limited evidence (AR7 results limited to OFW/FLOW). To demonstrate potential impact under these conditions, two illustrative scenarios were developed based on plausible assumptions about component types and CIB criteria.

Scenario design

Two core scenarios, Scenario A and Scenario B, represent different combinations and types of CIB proposals across different component types and CIB criteria ('investment in shorter supply chains' and 'investment in more sustainable means of production').

Table 2: Description of illustrative scenarios

Aspect	Scenario A: Low	Scenario B: High
Facilities	One new tower facility	One new tower facility
	One new blade facility	One new blade facility
	One extension of a switchgear facility	One new switchgear facility
Employment	Baseline employment: • *No indirect jobs* • *0% new jobs (vs displacements)* • *No construction job wage premia* • *No indirect job wage premia* • *Includes operational wage premia (baseline assumption)*	Enhanced employment: • *No indirect jobs* • *0% new jobs (vs displacements)* • *Construction job wage premia* • *No indirect job wage premia* • *Includes operational wage premia (baseline assumption)*
Costs	High values - adjusting upwards the low values.	Low values – cost estimates informed by theoretical investment cases[16].
Benefits	Low estimate of benefits for transport emissions, SBTi emissions reduction. Supply chain resilience benefits are a central estimate for both scenario A and B.	High estimate of benefits for transport emissions, SBTi emissions reduction. Supply chain resilience benefits are a central estimate for both scenario A and B.

Scenario logic:

- **Low Scenario:** conservative assumptions: higher costs, lower benefits, and minimal employment benefits.
- **High Scenario:** optimistic assumptions: lower costs, higher benefits, and enhanced employment benefits (construction wage premium included).

Costs, benefits, and NPSV are calculated on a per-MW basis, given uncertainty around the total capacity supported. Aggregate policy impacts are a function of number of MW

[16] Theoretical investment cases described under *Investment cases evidence* section.

supported, which is subject to significant uncertainty; therefore, these impacts have not been included.

Key assumptions: a two-year construction period followed by ten years of operation. ONW is introduced from AR9, with delivery years projected as 2029 (AR9) and 2030 (AR10).

In line with Green Book guidance, this assessment considers impacts occurring within the UK only.

Table 3: Results per MW

		Scenario A	Scenario B
Present Value of Costs (PVC, £m)		**0.17**	**0.10**
Present Value of Benefits (PVB, £m)		**0.12**	**0.23**
Of which: SIR criterion 1	*Employment (wage premia)*	0.08	0.11
	Supply chain resilience	0.04	0.04
	Transport emissions	0.00	0.01
Of which: SIR criterion 2	*Carbon abatement*	0.00	0.08
Net Present Social Value (PVB-PVC, £m)		**-0.05**	**0.14**
(Price base year = 2025, PV base year = 2025, discount rate = 3.5%).			

Capacity funded is highly uncertain; therefore, cost per MW provides a more reliable indication of value. NPSV ranges from –£0.05m per MW (Low) to £0.14m per MW (High).

Managing VfM risk

The competitive auction design includes tools to manage VfM risk and ensure that the policy creates an opportunity to procure high-quality projects while limiting downside risk:

- Discretionary budget revision
    - The Secretary of State (SoS) has the power to revise the CIB budget after the bidding window closes, which is central to supporting VfM. This power is communicated to industry and should be perceived as a credible threat, i.e., there is a legitimate expectation that not all bids will be funded. Without this perception, a large budget could incentivise inflated bids with high private margins, leading to poor VfM. Discretionary budget revision powers provide optionality to HMG to fund high quality investments whilst limiting downside risk.
- Hidden ONW sub-budget
    - Funding will be ringfenced for ONW without disclosing its value, following the approach used for FLOW in AR7. This maintains competitive tension and discourages strategic bidding, ensuring allocations are based on genuine cost competitiveness and limiting opportunities for gaming. Such an approach is critical for fairness and driving VfM across the auction process.
- Introduce a maxima for ONW
    - Setting a cap on the total spend for ONW bids provides full optionality to limit spend on ONW without impacting the allocation of funding to other technologies, irrespective of bid-stack dynamics. This backstop ensures VfM while maintaining flexibility in allocation decisions.

Costs and benefits calculations

A suite of costs and benefits are modelled for each of the CIB criteria, such that:

Table 4: Summary of costs and benefits captured

Costs	• It is assumed that the cost of a CIB proposal is equal to the cost differential between a counterfactual and CIB eligible supplier.
Benefits	• A wage premium approach is taken to measure employment benefits associated with investments in deprived areas. This is measured by calculating the additional value of new and higher paid jobs in comparison to an assumed counterfactual wage. • Supply chain resilience benefits are also quantified, which captures the benefits of diversifying the supply chain through encouraging the use of a wider range of suppliers can help reduce bottlenecks, helping to reduce project delays. • Transport benefits are quantified, counterfactual suppliers are anticipated to be in Europe, so purchasing from UK suppliers reduces emissions associated with the transportation of componentry. • Additional carbon abatement induced through the increased adoption of Science-Based Targets is quantified.

Further details of the costs and benefits quantification methodology are provided below.

Costs

Costs equal the differential between a counterfactual and a CIB-eligible supplier, based on investment case data and supplementary analysis.

- Low scenario values are based on figures provided in the investment cases.
- High scenario values build on this baseline by applying two adjustments
  a) Operating expenditure (OPEX) per MW is inflated, by 20% for developer A and 15% for developer B, to reflect the reduced efficiency of Phase 2-only facilities (smaller number of units) which are less efficient than Phase 3 facilities (larger number of units).
  b) Lifetime capital expenditure (CAPEX) per MW is calculated using deep-dive data to capture full lifecycle costs.

For switchgear, both low and high scenarios start with a base cost of £46.7k but apply different conversion rates to estimate costs of imported equivalents: 8% for the low scenario and 13% for the high scenario.

Benefits

All benefits apply a downward additionality adjustment of 25%, reflecting the assumption that the intervention has high additionality. CIBs are expected to generate new benefits; however, they are also designed to operate as a complementary policy tool alongside existing grant funding programmes. This conservative adjustment avoids potential double counting of benefits claimed under other schemes, resulting in an effective additionality assumption of 75%. This assumption is informed by knowledge of current policy tools and tested through sensitivity analysis to account for uncertainty.

CIB criterion 1: Investment in shorter supply chains

Employment benefits

The method estimates the number of Full-Time Equivalent (FTE) jobs created per MW of ONW capacity by linking CAPEX to employment using sector-specific multipliers derived from Standard Industrial Classification (SIC) codes.[17] CAPEX per MW is calculated and split between manufacturing and construction, providing the basis for applying job multipliers.

Direct employment impacts are then estimated by converting CAPEX spend into jobs using FTE-per-pound multipliers, including both new jobs and displaced roles. Salary impacts use average pay data from investment cases. Indirect employment effects are assessed using similar multipliers, with both new and displaced jobs considered. The total employment impact combines direct and indirect jobs, subtracts displaced roles, and calculates the additional salary supported per MW.

Timing adjustments spread construction jobs over the two-year build period, while operational jobs follow investment case assumptions. Minor pay differences between facilities and regional averages were deemed negligible and excluded from the analysis.

- Low Scenario: Conservative assumptions: minimal employment impacts. Both scenarios include operational wage premia, but in the Low Scenario:
    - No creation of new direct jobs beyond baseline operations.
    - No indirect employment effects considered.
    - No construction wage premium applied, meaning employment benefits remain minimal.
- High Scenario: Optimistic assumptions with enhanced impacts. In addition to operational wage premia:
    - Construction wage premium is applied, increasing overall compensation and economic value.
    - This is the only difference in employment assumptions between the two scenarios.

Supply chain resilience

The carbon benefit of reducing construction delays was estimated by converting time saved by earlier electricity generation and valuing the avoided emissions against a carbon-intensive counterfactual. The analysis assumes a two-year ONW construction period and applies Green Book optimism bias guidance (3% to 25% delays for non-standard civil engineering projects). Although these figures are intended for adjusting project estimates rather than quantifying benefits, they are used here illustratively. The 22% difference between upper and lower bounds is interpreted as an indicative delay reduction attributable to CIB, equating to roughly 0.44 years (3,857 hours) saved per MW of capacity. This estimate is highly uncertain and should be treated as indicative only, given limited evidence on actual delay reductions and uncertainty around future procurement.

To align with the scope of the IA, only blades, towers, and switchgear are considered, representing 39% of total CAPEX. A 36% ONW load factor, based on CfD AR7 data (varied

[17] UK Standard Industrial Classification of Economic Activities - Office for National Statistics

in sensitivity analysis) is then applied to estimate the additional generation brought forward, which is converted into avoided emissions using UK carbon values and emissions factors. Using Green Book supplementary guidance on valuing reductions in greenhouse gas emissions[18], the following calculation is made to estimate decarbonisation benefits.

$$\textit{Value of avoided carbon} = \textit{CO2e emissions} \times \textit{value of carbon}$$

Supply chain resilience benefits start from year 3, as hypothetical facilities would not produce critical components during years 1–2. Sensitivity analysis varies CAPEX share, ONW load factor, and removes supply chain benefits entirely in one scenario to illustrate potential outcomes and reduce reliance on single assumptions.

Transport

This purpose of this analysis is to quantify the potential carbon emissions savings from sourcing turbine towers, blades, and switchgear domestically rather than internationally. Shorter transport routes for UK manufacturing reduce vessel and road emissions compared to importing components from Europe. The analysis compares the emissions associated with national travel compared with the associated international transport, where international manufacturing refers to European production in this context. Transport emissions benefits are based on eight investment cases collected as part of this analytical exercise. In line with guidance, only transport within UK territorial waters is included; international distances were adjusted to include only the UK territorial segment of the shipping route (e.g., Calais to Hull or Glasgow), as per guidance. This ensures consistency in comparing domestic and international transport emissions.

Transport emissions savings were estimated by comparing national versus international component transport.

Road emissions were calculated as:

$$\textit{kg } CO_2e = \textit{transport distance} \times \textit{emissions factor}$$

Vessel emissions were calculated as:

$$\textit{kg } CO_2e = \textit{component weight} \times \textit{transport distance} \times \textit{emissions factor}$$

Distances are based on known manufacturer locations where data was unavailable, with the Port of Humber adopted as a proxy for the final destination. Component weights were determined through desk research and investment case data. Emission factors[19] and carbon costs[20] remain constant, distances vary for low and high scenarios.

- **Low scenario:** Shorter international transport routes for towers, blades, and switchgear, with components shipped from Calais to Hull and then transported by road to Able UK, Rosper Road, South Killingholme. National transport distances were based on realistic UK routes, such as Liverpool to South Killingholme for towers and Isle of Wight to South Killingholme for blades. Switchgear distances were averaged across Newton Aycliffe, Scarborough, and Stafford to the same destination.

[18] BEIS (January 2023), Valuation of energy use and greenhouse gas (GHG) emissions.
[19] Greenhouse gas reporting: conversion factors 2024 - GOV.UK
[20] https://assets.publishing.service.gov.uk/media/6567994fcc1ec5000d8eef17/data-tables-1-19.xlsx

- **High scenario**: Longer international transport routes, with components shipped from Calais to Glasgow before road transport to the final destination. National distances remained consistent with the low scenario, while international distances increased significantly to reflect a more challenging logistics case.

Sensitivity analysis applies ±25% variation to all values to capture uncertainty and illustrate optimistic and pessimistic cases.

SIR criterion 2: Investment in more sustainable means of production

SBTi emissions

To compare embodied emissions, traditional hot-rolled coil steel is assessed against green steel for two turbine models: the Vestas V82-1.65MW (representing older deployments) and the Vestas V136-4.2MW (modern sizes). Both scenarios assume UK-based production, with steel type as the only variable, allowing carbon savings to be monetised using UK carbon values.

Energy-related emissions were calculated using the formula:

emissions factor × material category × component weight × carbon price

Emission factors[21] and carbon price[22] were held constant, while the percentage of green steel was varied between scenarios for towers and switchgear. Component weights were fixed at 135 tonnes for towers and 1.6 tonnes for switchgear. Blades were excluded as they do not use steel.

Two scenarios were applied:

- **Low scenario:** 10% green primary steel and 90% conventional primary steel.
- **High scenario:** 50% green primary steel and 50% conventional primary steel.

To reflect the UK-specific benefits, the calculated emissions savings were applied to estimates of the proportion of benefits attributable to the UK: 73% for the high scenario and 18% for the low scenario. These assumptions are based on current supply chain insights, note further supply chain mapping planned for Q1 2026 may reveal additional UK suppliers.

Sensitivity analysis applies ±25% variation to all values to reflect uncertainty and illustrate optimistic and pessimistic cases.

Sensitivity analysis

Given uncertainty, this section tests how the NPSV (£m) responds to changes in key assumptions. The base case results in an estimated NPSV between –£52,000 per MW (Low) and £136,000 per MW (High), but variations in assumptions create significant differences. All scenarios are compared against these values to assess their impact.

[21] Greenhouse gas reporting: conversion factors 2024 - GOV.UK
[22] https://assets.publishing.service.gov.uk/media/6567994fcc1ec5000d8eef17/data-tables-1-19.xlsx

The most influential factor is the ratio of new jobs to displacements. When this ratio varies to 0.2, the NPSV increases, with the high reaching £397,000 (+192%). At 0.1, the improvement remains substantial, adding £266,000 (+96%) to the high NPSV per MW. The inclusion of indirect jobs boosts the high NPSV per MW by £225,000 (+65%) and the low NPSV per MW by £6,000 (+112%).

The absence of supply chain benefits has the most detrimental impact on NPSV, reducing the high NPSV per MW to £99,000 (-27%) and the low NPSV per MW to -£88,000 (-71%). CAPEX proportion adjustments linked to supply chain resilience benefits increase both low and high NPSV per MW to -£38,000 (+26%) and £150,000 (+10%) respectively.

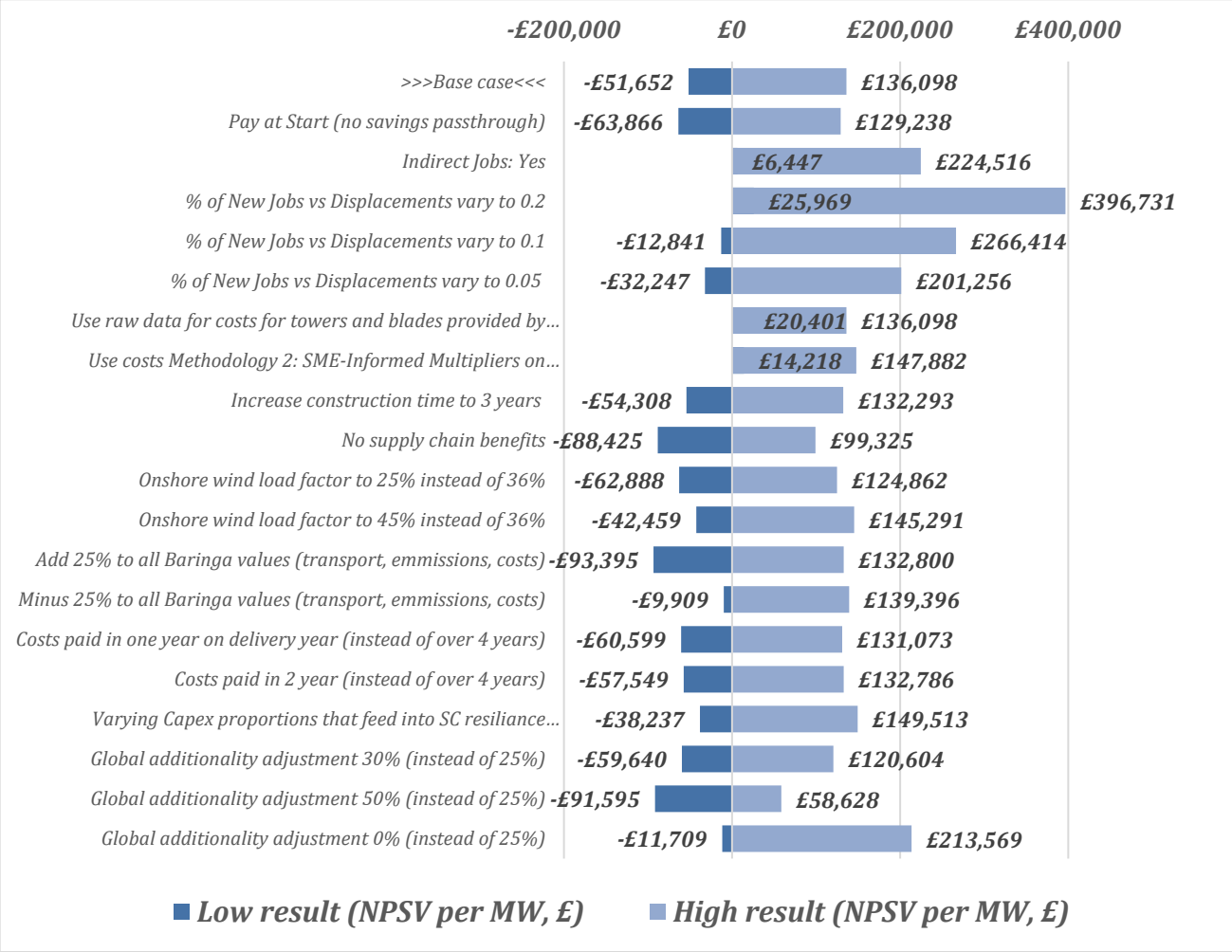
Adjusting transport, emissions and cost differential values by ±25% produces changes, with reductions improving results (up to +81% for low and +2% for high) and increases worsening them (down to -81% for low and -2% for high).

Increasing the additionality adjustment to 30%, or 50% progressively reduces NPSV, with the high value falling to £121,000 (-11%) and £59,000 (-57%) respectively, while the low value declines to -£60,000 (-15%) and -£92,000 (-77%). If the adjustment factor is 0%, the high NPSV is £214,000 (+57%) and the low NPSV -£12,000 (+77%).

Reducing ONW load factor to 25% instead of 36% lowers the high NPSV to £125,000 (-8%) and the low to -£63,000 (-22%). Increasing ONW load factor to 45% instead of 36% improves the high NPSV to £145,000 (+7%) and the low to -£42,000 (+18%). These scenario assumptions are based on the range of load factors that ONW experiences across different regions of the UK.

Other notable changes include using subject matter experts for costs multipliers (+9% high, +128% low); raw cost data (+139% low); payment timing (–4% high, –17% low); longer construction (–3% high, –5% low). See accompanying graph for full scenario impacts.

Figure 2: Scenario impact on NPSV per MW compared to base case



Business environment

The Government anticipates that the intervention proposed in this Impact Assessment will encourage investment into the UK by creating a more attractive business environment. The CIB scheme has been proposed in response to the ongoing cost pressures facing the ONW supply chain. By utilising competitively allocated subsidies, the proposal aims to foster investment into more sustainable parts of the supply chain by dampening the cost differential between these manufacturers and suppliers, and their distanced and more polluting counterparts.

Trade implications

The Government anticipates a neutral impact on the international and trade implications of the proposal. Overall, the policy is broadly in line with the developing best practice, internationally, on including non-price factors in determining ONW subsidies. In strengthening the business environment of the UK's ONW supply chain, this could lead to a competitive advantage, globally, whereby relevant firms appear more attractive to international investors.

Environment: Natural capital impact and decarbonisation

The Government considers the proposal to have a positive impact on decarbonisation of the UK economy. Presently, the ONW supply chain has a substantial carbon footprint due to the reliance on legacy manufacturing abroad which is more polluting. The CIB scheme tackles this by incentivising developers of ONW to invest in more sustainable manufacturers and suppliers which would shorten the supply chain and reduce transport miles.
This impact is furthered by the CIB criteria used during competitive allocation whereby bidders will, in part, be assessed on their use of Tier 1 suppliers and manufacturers who have adopted Science-Based Targets (i.e. firm-specific decarbonisation plans).

Other wider impacts

Consumer bill impacts: General bill impact

This analysis assumes impacts across all technologies supported under the entire CIB, and is dependent on overall budget allocated, not just changes from AR8 onwards.

Bill impacts associated with ONW inclusion are contingent on the budget assigned and funds awarded, which is yet to be determined and may well be lower than that of OFW and FLOW.

However, as an example, for an illustrative allocated budget of £200 million (2025 prices), estimated aggregate impact on consumer bills for an average dual-fuel, non-EV household is modest. The impact is approximately £0.50 per year for four years, equating to c.£2.00 (2025 prices) over the period per AR. Currently, the majority of CfD policy costs are borne by non-domestic consumers. This analysis assumes a total budget of £200 million per AR across all technologies; however, this figure remains highly uncertain given the flexible budget-setting powers. Note that in AR7, the CIB allocated £204 million to OFW and FLOW projects.[23]

Consumer bill impacts: Impact of pay on delivery change

This section focuses on the potential impact of changing the payment profile for CIB from AR8 onwards. Switching from a ‘pay on generation’ model to a ‘pay on delivery’ model, bringing forward the payment profile for CIB payments from AR8 onwards.

This could reduce project financing costs, by reducing the gap between delivery of CIB investments and compensation for those investments (the ‘payment gap’). This could reduce the reliance on debt-financing and lower the overall cost of financing CIB-related investments. The extent of the reduction in the payment gap is likely to vary across developers, but for the purposes of analysis, it is assumed that the CIB payment profile is brought forward by an average of 2 years.

The extent to which cost savings are passed through to consumers (in the form of lower CIB bid costs) is uncertain, so two scenarios have been modelled to demonstrate possible impact; Scenario 1 assumes no cost savings are passed through to consumers, whilst Scenario 2 assumes all cost savings are passed through – this represents the theoretical upper maximum benefit that could result from this proposed change. CIB levy costs are modelled for Allocation Rounds 8 – 10, with an illustrative nominal budget of £200m for each Allocation

[23] https://www.gov.uk/government/news/record-renewables-auction-supports-7000-jobs-and-3bn-investment

Round, each split over 4 years. Table 5 summarises the illustrative levy costs for each modelled scenario.

Table 5 – illustrative CIB levy costs (£m) for each modelled scenario for Allocation Rounds 8 – 10, 2025 prices. Illustrative £200m nominal budget per Allocation Round, expressed in 2025 prices.

Scenario	***2025***	***2026***	***2027***	***2028***	***2029***	***2030***	***2031***	***2032***	***2033***	***2034***	***Totals*** *(rounded)*
Counterfactual *(pay on generation)*	£-	£-	£-	£-	£49	£97	£145	£145	£96	£48	**£580**
Scenario 1 *(pay on delivery – no passthrough)*	£-	£-	£49	£97	£145	£145	£96	£48	£ -	£-	**£580**
Scenario 2 *(pay on delivery – full passthrough)*	£-	£-	£41	£81	£120	£120	£79	£39	£-	£-	**£480**

Under Scenario 2 (assuming full savings passthrough), aggregate levy costs for AR8 – fall by c.17% compared to that of the counterfactual scenario. The average impact for a typical dual fuel non-EV household would be different because assumed total electricity demand is lower in earlier years, and expected to grow over time, meaning that for a fixed CIB policy cost, the costs are a greater proportion of total demand in earlier years.

This illustrative analysis supports the rationale that shifting to a pay on delivery mechanism could reduce levy costs to the consumer, although as described above this is contingent on the extent to which any savings are passed through in the form of lower CIB bid costs. Where competitive tension in the auction does not exist, passthrough becomes less likely and any savings resulting from this change are likely to be minimal.

It should be noted that whilst bringing forward the payment profile from AR8 onwards could in theory lower CIB bid prices, the proposed change has the effect of concentrating levy cost impacts in the shorter term (i.e. pre-2030) – see table above.

Non-monetisable benefits

The CIB scheme could incentivise ONW developers to engage with more sustainable manufacturers and suppliers, leading to shorter and more resilient supply chains. Currently, the UK has limited domestic manufacturing capability for key ONW components, such as blades, towers, and nacelles, with most major parts imported. Transitioning to UK-based sustainable suppliers would reduce logistical carbon emissions and strengthen the renewable sector's environmental credentials.

Although ONW is a mature technology, targeted intervention through CIB could unlock a range of strategic, non-monetised benefits for the UK economy and energy system:

- **Strengthening Domestic Manufacturing and Supply Chain Resilience:** Incentivising UK-based manufacturing would reduce reliance on non-European

suppliers, improve lead times and reliability, and create skilled jobs in regions with existing energy infrastructure.

- **Innovation in Deployment and Logistics:** The UK's unique planning and transport constraints, particularly in Scotland, present opportunities for innovation in turbine design, modular construction, and logistics. Supporting these innovations could lower deployment costs, enable access to constrained sites, and generate transferable knowledge for other infrastructure sectors.
- **Market Signalling and Investment Confidence:** Inclusion in the CIB would send a strong signal to investors and manufacturers, reinforcing policy commitment and supporting long-term planning.
- **Alignment with Industrial Strategy:** Developing the ONW supply chain aligns with broader UK industrial strategy objectives, including decarbonising heavy industry, promoting regional economic development, and enhancing energy security and resilience.

Equalities assessment

The proposed intervention is expected to have a small impact on consumer bills, as described above. Whilst those with some protected characteristics are disproportionately represented in lower income brackets, and thus disproportionately affected by increases to consumer bills, the overall impact of the intervention on these protected groups is judged to be small.

In addition, the intervention is expected to create employment opportunities in UK supply chains, particularly in manufacturing and construction sectors and in deprived regions. These roles may indirectly support equality objectives by improving access to skilled employment for groups underrepresented in these sectors.

Risks, assumptions and mitigations

Several limitations have been identified for the data used, including:

- Sample representation: due to the complexity of ONW supply chains and constrained project timelines, the suppliers analysed for each component represent only a very small sample. As such, they may not fully reflect the broader industry landscape.
- Incomplete investment data: not all interviewees were able or willing to share investment case information, which limits the comprehensiveness of our evaluation of potential investment opportunities.
- Broad cost ranges: CAPEX and OPEX figures, along with estimates of additional benefits, were frequently reported as broad ranges. This introduces uncertainty into the accuracy of cost and benefit estimates.
- Hypothetical and sensitive data: some investment examples were hypothetical, and commercial sensitivity may have influenced the validity of the data provided.
- Potential cost inflation: participants may have overstated cost data to maximise potential future financial support, which could skew cost-benefit ratios toward higher costs.
- Limitations of SBTi: while the Science Based Targets initiative (SBTi) is a recognised metric for assessing sustainability ambition and maturity, it should not be considered a definitive indicator of an organisation's progress or intentions.

- Factory location data: manufacturing facility locations were derived from a selection of 74 ONW organisations. This sample does not cover the entire value chain and provides only a snapshot of the supply chain. Notably, no factories were identified in Scotland or Northern Ireland.
- Supply chain benefits: there is no direct evidence that CIB accelerates or delays construction timelines; the methodology for estimating delay reduction is illustrative and based on Green Book optimism bias figures, which were not explicitly designed for this purpose.

Noting the high degree of uncertainty associated with the outcome of a competitive auction process, a degree of risk and uncertainty remains. Specifically, there is inherent uncertainty surrounding the composition and value of CIB proposals to be received. This assessment has been produced based on representative scenarios and results have been provided on a per-MW basis to account for uncertainty. However, it is possible (and indeed likely) that actual proposals submitted by prospective applicants could deviate outside of these profiles.

To address these limitations and risks, the analysis applies extensive scenario and sensitivity testing to ensure results are not overly dependent on any single assumption. This includes modelling low and high cases for costs and benefits, applying ±25% variation across all values, removing supply chain benefits entirely in one scenario, and testing alternative methodologies such as raw cost data and SME-informed multipliers. Additional variations include payment timing, load factor adjustments, construction time changes, and embodied emissions scenarios. These mitigations provide a robust range of potential outcomes and highlight which assumptions most influence Net Present Social Value (NPSV), helping decision-makers understand sensitivity to key uncertainties.