



# Officer decision record

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| Directorate    | <b>Regeneration</b>   |
| Date           | <b>15<sup>th</sup> March 2021</b>   |
| Contact Name   | <b>Ashley Curzon</b>  |
| Telephone No   | <b>852610</b>   |
| Subject Matter | <b>PTEC Tidal Test and Demonstration site - Agreement for Lease Deed of Variation (DoV)</b> |

## Summary

In 2012, the Council negotiated an Agreement for Lease (AfL) with The Crown Estate (TCE) for an area of seabed off the south coast of the Island (close to St Catherine's Point) to facilitate the development of a tidal energy project delivered by Perpetuus Tidal Energy Centre (PTEC) of which the IW Council is a minority shareholder.

The original terms agreed were a 4-year option from November 2012 followed by a 20-year lease for the operation of project. Due to a number of factors including the time taken to deal with the many detailed matters required to progress the scheme (e.g. planning and marine consents), an extension of both the option period and lease were discussed with TCE alongside a number of other changes and the council was asked to agree these changes via a deed of variation.

The DoV extended the option period for 2 years until 16<sup>th</sup> November 2018 and increased the lease term to 25 years. The deed of variation also allowed for energy generation capacity at the site to be increased from 20 MW to 30MW. There are also some other changes of a more technical nature and all these matters have been discussed with PTEC which requires these changes to deliver the scheme and have advised the council that they are acceptable.

An Officer Decision, in consultation with the Cabinet Member for Regeneration, Housing & Transport, was taken in January 2017 to extend the Agreement for Lease as described above.

Since that decision was taken, the project has suffered further delays. Whilst it achieved full consent and a grid connection offer, the decision by Government to remove a minimum allocation to tidal stream projects under the Contracts for Difference, meant that the project had no suitable revenue support mechanism and was unable to proceed to full financing and implementation.

At the time the Agreement for Lease expired in November 2018, there was still no confirmed Government support mechanism, but the Department for Business, Energy & Industrial Strategy (BEIS) had signalled that it was looking at options linked to innovation and cost reduction as a means of supporting the sector. The sector had lobbied hard for support that would not impact consumer bills and had highlighted the export potential for the sector in a post-Brexit situation. There was therefore some optimism that a revenue support mechanism would be introduced before the expiry of PTEC's Marine Licence in 2021.

The Crown Estate offered the council a further extension on the Agreement for Lease for the period up to 19/04/2021 with the same terms as executed by the Deed of Variation on 31/01/2017. This was agreed with the Deputy Leader & Cabinet Member for Resources

Further delays to market support mechanisms for tidal energy meant that the project was subsequently put into hibernation. More positive signs from Government on future financial support for marine energy, and the opportunity to participate in a major European project, led to the project being revived in 2020. A request from PTEC for additional council loan funding to assist project consenting was considered by Cabinet in September 2020. Cabinet decided that it was not in a position to provide additional loan funding but agreed to extend the term of the existing loan and to authorise PTEC to raise the required funds by selling up to two thirds of the council's shareholding in the company.

This decision to support PTEC has allowed the company to raise the required funding and to start the consenting process. Further negotiation with The Crown Estate has resulted in an offer to extend the Agreement for Lease for an additional period from April 2021 to 11<sup>th</sup> November 2022, with the Option Period expiring on 30<sup>th</sup> September 2022, to allow the consenting to complete.

Decision Taken

**To agree a Deed of Variation to the agreement for lease for the Tidal Test and Demonstration site off St Catherine's to extend the period to 11<sup>th</sup> November 2022.**

Deputy Reasons for the Decision

The council has been involved in the creation of the tidal energy project for a number of years and has invested significant resources (c. £1m) into its development. A number of key decisions have been taken over that period by the Executive / Cabinet to progress the scheme including the level of financial investment, the terms of the Agreement for Lease and the council's partnership in PTEC. The existing option on the AfL lapses in April 2021 and, unless the option is extended, there is no legal basis for the scheme to progress. The Cabinet confirmed its support for the PTEC project in its meeting held in September 2020 and this decision is being taken on the basis that the variations secure the council's position as per previous decisions of the Executive / Cabinet in terms repayment of the shareholder loan made to PTEC and securing the economic benefits of

the project for the Island.

Options  
Considered  
And rejected

The council could decide not to agree the revised terms but this would immediately halt the project and result in the council's investment being lost as well as the wider benefits for the Island's economy and contribution towards the net zero Climate Emergency target.

Record of any  
conflicts of  
interest

None

Delegation  
Being Exercised

Officer decision to agree a Deed of Variation on the Test and demonstration site Agreement for Lease

Name of  
Cabinet Member  
consulted

Date

15<sup>th</sup> March 2021.