News release

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Transparency needed on ScotWind funds

The Scottish Government needs to be more transparent about how it will use £755 million raised by a high risk and reward offshore wind leasing round.

In 2020, Crown Estate Scotland (CES) launched ScotWind. The leasing round offered buyers capped prices for the option to develop the seabed - rather than maximising immediate returns through an open auction. The rationale for the decision was to increase the chance of securing long-term lease payments. The CES Board scrutinised the approach and it was agreed by the Scottish Government. However, no single business case for the ScotWind leasing round was produced.

In 2021, a rapid review of ScotWind was instigated when a rest-of-UK leasing round generated record revenue through an uncapped, open pricing approach. CES drew on external advice and increased the seabed development fee cap from £10,000 to £100,000, although a much higher cap was considered and rejected. The rapid review also put new penalties in place to encourage developers to deliver on their supply chain commitments, but these need to be further strengthened for future leasing rounds.

The £755 million initially raised has been banked by Crown Estate Scotland over 12-month terms on behalf of the Scottish Government. This gives ministers maximum access to the funds and allows them to be used to balance the budget. However, it has limited Crown Estate Scotland's investment options and financial returns.

Ministers have drawn down £96 million of ScotWind funds to date. But it is not clear how the money has been used to support the transition to net zero. Nor is it clear how the Scottish Government intends to use remaining ScotWind funds over the course of the Parliament. That extends to the need for transparency around the purpose and operation of a new ScotWind Wealth Fund as ministers' plans develop.

Stephen Boyle, Auditor General for Scotland, said:

‘Crown Estate Scotland and the Scottish Government took a high risk and reward approach to the ScotWind leasing round. Whether that decision represents value for money will be determined in the coming years.

'If developers sign long-term leases before their option periods end, then annual payments will continue to benefit Scotland for the next 60 years.

'However, if they give up their options the capped option pricing model will result in limited wider economic benefits and substantially reduced public revenues.

'What is now important is that the Scottish Government is much more transparent about their plans for how the ScotWind funds will be used across this parliamentary term and beyond.'

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Notes to Editor:

1. The ScotWind leasing round resulted in developers buying options to develop 20 windfarm projects, with one subsequently terminated and another currently being terminated.

2. Crown Estate Scotland's rationale for a capped price option approach to the ScotWind leading round was to increase the likelihood of lease options being taken up and, if projects went ahead, securing 60-year lease payments for the public purse.

3. The Crown Estate Scotland Board considered a much higher cap of £500,000 in the rapid review but felt this would reduce the competitiveness of projects and long-term economic benefits.

4. The Scottish Government plans to draw down a further £507 million of ScotWind funds by 2031. It is not clear how this money will be used.

5. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit.scot

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