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C H A N C E



**FAVOURABLE WINDS
FOR FRENCH
OFFSHORE WIND
FARMS**



— THOUGHT LEADERSHIP

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FAVOURABLE WINDS FOR FRENCH OFFSHORE WIND FARMS

While Northern Europe and the UK started investing in offshore wind more than 20 years ago, France was slow off the mark. Now, that is about to change, as the development of the first French projects gets under way.

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In the past, France has struggled to anticipate fully the specific characteristics of offshore wind projects and the differences between such projects and other major public tenders. As of spring 2022, only one demonstration offshore wind turbine, accounting for 2MW, is operational in France, compared with, for example, 2,542 wind turbines in the UK, accounting for 12.7GW; 1,501 wind turbines in Germany, accounting for 7.7GW; 599 wind turbines in the Netherlands, accounting for 3GW; 631 wind turbines in Denmark, accounting for 2.3GW; and 399 wind turbines in Belgium, accounting for 2.3GW – a performance all the more remarkable, since the Belgian coast is only about approximately 65km long.

Development of the first French projects is now well under way. Deployment has taken a long time, but this has been due, in part, to the fact that France had to invent and build the French offshore wind model from scratch. France had to develop balanced and fundable regulated contract models, in an environment in which France can perhaps be singled out for the specific nature of its legal framework and the number of public parties involved.

In addition to an agreement with the State authorising occupation of the public maritime domain, each wind farm project is based on a power purchase agreement with EDF acting as a compulsory buyer – now a contract for additional remuneration, a so-called "feed-in premium contract" in more recent calls for tenders – and various contracts concluded with RTE, the operator with the legal monopoly for the electricity transmission network in France, for the connection of the wind farm to, and the injection of electricity into, the network.

However, this model has now proved effective. The first three French projects, each providing approximately 500MW of power for a cost between €2 and €2.5 billion, were thus financed through limited recourse financing in 2019 (Saint-Nazaire), 2020 (Fécamp) and 2021 (Courseulles-sur-Mer), respectively. Saint-Nazaire is expected to be the first industrial-scale French project to enter into operation by the end of the year. Fécamp is due to be commissioned in 2023, as is Saint-Brieuc, a project also providing approximately 500MW of power. Courseulles-sur-Mer should finally enter production in 2024, followed by the Noirmoutier and Tréport wind farms a few years later.

Secondly, and even more significantly, after a relatively timid start when it was difficult to understand whether France was driven by a real conviction around offshore wind power or by the sole need to comply with renewable energy production quotas imposed by the European Union, a significant change has taken place at the political and strategic level.

To highlight this change, it is enough to consider the number of discussions that have recently been held by a number of public players concerning the energy mix (see box). France has finally convinced itself that renewable energy has a place in the national energy mix, without the need to pit nuclear energy and renewables against each other. Moreover, on the contrary, nuclear is an easily controllable basic energy that renewables can effectively supplement as part of an energy mix promoting the decarbonisation of electricity production.



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In fact, such decarbonisation of electricity production was already the purpose of the new multi-year energy programme, made public in April 2020, which provides for an acceleration of the launch of offshore wind projects. Indeed, in 2021/2022 alone, France is set to launch no fewer than five new calls for tender – calls for tender 4 to 8 – resulting in more projects being initiated in two years than in the last ten years.

Launches are also expected to continue at a sustained pace. Whereas the multi-year energy programme suggested that 1,000MW of new projects would be put to tender annually from 2024, last February the State announced that it wanted to build no fewer than 50 offshore wind farms, bringing the national installed capacity to 40GW by 2050, which is expected to cover 20% of France's electricity consumption by then.

The new geopolitical situation following the war in Ukraine and Europe's aim to phase out Russian gas is unlikely to reverse this trend. On the contrary, the European Commission's recent REPowerEU initiative is based on an acceleration and amplification of the development of renewable energy, including offshore wind power in particular. France's position is likely not to change, given the tension that now reigns over power production. And apart from

the now clear political will, France can base its high ambitions on a number of significant advantages. There are a number of factors lending credibility to this scenario.

France has undoubted geographical advantages, its coasts being among the most extensive and exposed in Europe.

The first projects have provided the country with infrastructures and production tools developed not only by a bench of big companies active in the sector in France, but also by smaller French companies with the creation of "wind offshore" clusters in some regions. Following such initial projects, large France-based suppliers and contractors have also entered the market, so there is now a comprehensive ecosystem of competent operators in all segments of the value chain, such operators having demonstrated their ability to be competitive in this sector and several of which have pursued successful international development.

Unlike fixed wind turbines, which got off to a slow start, France is leading the way in terms of floating wind turbines, which are seen as an important growth driver for the sector. Four pilot projects launched by the State under the supervision of ADEME are thus well placed to be among the first farms in operation in Europe. To date, only the Portuguese Windfloat Atlantic project (25MW, 2020) and the British Kincardine project (50MW, October 2021) have been commissioned. The Norwegian Hywind Tampen project (88MW) should be operational by the end of 2022.

Floating wind turbines also play an important role in the new industrial-scale projects recently put to tender. Following the launch of a first tender for a 250MW wind farm in the south of Brittany in 2021, the government announced, on 14 March 2022, the development of two floating wind farms in the Mediterranean with a capacity of 250MW each, that may be later supplemented by two extensions of 500MW each under separate calls for tender.



Particular attention must also be paid to the way in which the deployment of future projects will be organised by the State within the exclusive economic area.



Although not as technologically advanced and therefore still more costly today, floating offshore wind turbines offer attractive advantages compared with bottom-fixed offshore wind turbines. For example: wind farms can be located further from the shore in deeper water, where the wind is stronger, thus avoiding constraints linked to the characteristics of the sea floor; and construction and assembly operations can be carried out at port and are thus facilitated, even if this may require modifications of port infrastructures.

It is also hoped that the development of floating wind turbines will facilitate the acceptance of offshore wind turbines, thanks to a more limited impact on the marine environment, a lower visual impact, and decreased competition with other uses, coastal fishing especially, thereby reducing the number of objections and appeals liable to slow the pace of the projects.

In recent years, the State has carried out significant work to improve the applicable legal framework and facilitate the implementation of projects. Notable innovations include:

- Improved conditions for public participation in projects. Since the adoption of the Essoc Law of 10 August 2018, any consultation procedures (public debates in particular) must be organised before the launch of the call for tender, which was not the case originally. Hopefully, this will also contribute to greater acceptance of offshore wind projects.
- The State has pursued reforms specific to disputes concerning offshore wind projects in order to reconcile the right of effective recourse with the need to deal with a particularly high volume of litigation in the sector causing delays in the project development, as demonstrated during development of the first projects. Thus, after initially appointing the Nantes Administrative Court of Appeal as having primary and final jurisdiction for disputes related to offshore wind projects, the State has now devolved jurisdiction in this area to the Council of State itself, i.e. the highest administrative Court.

- The State has implemented a so-called "envelope permit", which makes it possible to change the characteristics of projects, within certain limits, without the need to apply for new authorisations. Producers can thus delay their technological choice for as long as possible in order to benefit from the latest technical innovations and the best prices, which, in turn, allows them to seek premium that is as low as possible during the bidding phase.
- The State has improved the grid connection regime, charging the cost to RTE and no longer to the producer, and improved RTE's liability mechanism.
- The State has reserved the possibility of carrying out soil studies in the call for tender phase, with the objective to enable bidders to formulate more-informed proposals and accelerate the schedule for the deployment of projects.

Other factors will, of course, be important to achieve the ambitious objectives stated by France, especially in a context where the number of projects will multiply in other countries, with a corresponding risk of increased competition in attracting operators and capital.

With this in mind, it is particularly important that France integrates future projects into the scope of the now proven contractual structure it has devised and which was successfully "project" financed. This model is built around a balanced and proven allocation of risks from which the State should not deviate significantly, so as not to jeopardise the attractiveness of a still recent French scheme.

Particular attention must also be paid to the way in which the deployment of future projects will be organised by the State within the exclusive economic area. The challenge will be, in particular, to ensure that the unilateral authorisation serving as a basis for the occupation of the area by the producer provides a sufficient level of comfort to the producer, hopefully comparable to that offered by the agreements for occupation of the maritime public domain concluded for the first projects, which were established in territorial waters.

Optimisation of the connection system will also be very important, as it is one of the major interfaces of the projects. From this point of view, while the risk of delays in the grid connection by RTE is now well covered, this coverage may, in practice, lead RTE to push for the producer to freeze its technological choices as early as possible, in order to "de-risk" the project for RTE by giving it more time to design and roll out the connection.

This approach makes sense from the carrier's perspective. But it could prove counterproductive at project level, depriving producers of the full benefit of the aforementioned "envelope permit" to the detriment of the bid competition, thus leading to an unavoidable need for additional remuneration for the producers, and increased costs for the State's budget. The State will therefore have to ensure that it finds an effective and sustainable solution to enable producers to fully integrate the benefit of technological developments, which are set to remain dynamic in this sector, perhaps by allowing itself to rebalance the connection regime to the benefit of producers, or even to consider certain exceptions to the monopoly held by RTE, going beyond the mandate under Article L. 342-2 of the Energy Code.

This may seem anecdotal, but it will also be important for the State to expand its dedicated staff. The increase in the number of projects launched, the need to monitor simultaneously the development of projects already awarded (including leading the authorisations application procedures) and the allocation of new projects, combined with an increase in

the State's responsibilities in the context of said calls for tender (prior organisation of the tender process, completion of soil studies, established recourse to a competitive dialogue phase prior to the submission of bids, etc.), will inevitably lead to a significant increase in workload for the competent authorities.

The State must therefore equip itself with the necessary means to manage effectively all the issues head on, both at the central level and at the decentralised levels in the regions. From this point of view, an international benchmark offers some interesting examples, and France appears to be currently understaffed compared to some of its European partners.

Given the scale of the obstacles already overcome, however, none of these challenges seems insoluble. On the contrary, following the re-election of President Macron who has pledged an increase in offshore wind to 40 GW over the next 30 years and unless an unfriendly majority is elected at the National Assembly in June, there are even good grounds to hope that most will resolve themselves naturally, thanks to the determination that France is now showing in the sector.

Ultimately, no one knows whether France is destined to become the "Saudi Arabia for offshore wind power", in the way that Prime Minister Boris Johnson plans for the United Kingdom, but it does have some significant advantages enabling it to rise through the ranks and compete with the best in the class.



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