

**1. Do you agree that up to 1 Gigawatt (GW) of Test and Demonstration projects should be included within the scope of the updated Plan? Please provide any comments you have on their inclusion or proposed parameters.**

No, not in the manner outlined in this consultation.

Whilst Shetland Islands Council recognises the need for Test and Demonstration (T&D) projects for offshore wind, we are strongly of the view that these should be contained within the identified Option Areas for the ScotWind and INTOG sites.

In our case, these are the three Option Areas (NE1) for ScotWind, which are covered by the Arven and Stoura offshore windfarms. Containing T&D sites within these areas would enable relevant testing in relation to the actual wind and sea conditions where the turbines are to be eventually sited. Furthermore, it would provide greater certainty for other users of the sea and our communities as to where the T&D projects are to be located.

We consider that the approach as outlined on page 54 this consultation requires alteration. Page 54 states :

*“Development of any future potential T&D sites should be undertaken in line with the following mitigation measures, to avoid significant environmental effects and reduce negative economic impacts. In line with the outlined parameters for T&D sites, generating capacity is limited to a maximum of 1,000 MW across Scottish waters, 200 MW per sectoral planning region and 100 MW per individual project. T&D sites should not be located within identified OAs or within the boundaries of MPAs”.*

Page 54 goes on to state:

“Further mitigation measures for the sustainable development of T&D sites include:

- T&D sites will be located at specific distance requirements from any protected areas (e.g. >5 km from seal haul out sites), SPA/SAC/Ramsar sites and qualifying features;
- T&D sites will avoid co-locating with offshore infrastructure, key shipping routes and anchorage areas, and higher density fishing areas;
- Spatial planning of T&D sites should take account of other sectors and the potential cumulative impacts with OAs. This should also include in-combination impacts with other offshore wind farms and MPA management measures;
- T&D sites should be located beyond 15 km from the coastline where that avoids significant seascape and visual effects, and impacts on coastal receptors;
- Pre-application Consultation Reports and proportionate project level assessments will be expected for T&D sites and associated export cable routes to ensure significant adverse effects are appropriately considered, and to document engagement undertaken; and
- T&D sites should be developed in accordance with any relevant project level mitigation identified in the plan level SEA, HRA, SEIA and NCMPS assessment.

We wish to raise the following issues and points for consideration under the following headings:

T&D sites should not be located within identified OAs or within the boundaries of MPAs

As mentioned we are of the view that T&D sites should be contained within the identified Option Areas for the ScotWind and INTOG sites. In the case of Shetland this is the NE1 sites Stoura and Arven.

It is not clear why the decision on pages 29-30 to not locate T&D within sites already covered by an existing CES Seabed Agreement has been taken and we request further clarification on this important matter. We believe that the most practical approach would be for developers to apply for s36 consent and marine licenses to develop project specific T&D proposals within NE1/CES lease option areas as these have already been through a significant amount of public consultation during previous iterations of the Sectoral Marine Plan for Offshore Wind/ScotWind process. They have also been through a significant amount of social, economic and environmental assessment and monitoring as part of developing the EIA and future application processes for s36 consent and marine licensing.

The proposal to not locate within these areas means that the Shetland Marine Region could potentially provide up to 200MW of the identified 1GW T&D capacity. This would result in additional and unplanned offshore wind development in our marine waters as no specific locations have been identified through this Sectoral Plan process. We are aware that there have been strong concerns raised by the public and industry (including our fishing industry) on these matters in response to this consultation and at public events which supported the consultation.

If there is lawful reason why the T&D sites cannot be located within the existing NE1 sites then the Sectoral Plan and the supporting Regional Location Guidance should be amended to identify potential suitable areas for future T&D development, rather than currently relying on project level proposals, pre-application and mitigation measures alone.

200 MW Per Sectoral Planning Region

A further point of concern we wish to raise relates to the proposed split of capacity for T&D projects. The Draft Plan states *"The 1GW capacity should be equally split between the five regions outlined in the Draft Plan (West, North, Shetland, North East, and East), with no more than 200 MW leased per region and 100MW per individual project"*.

Our view is that this method is disproportionate when taking account of the Shetland Region's share of the total Sectoral Plan Area (37.5GW) is 2.8GW (NE1 – Arven and Stoura). This accounts for only 7.25% of Scotland's overall production total for offshore wind.

A 7.25% share of the 1GW T&D capacity would result in Shetland having to accommodate 72.5MW of capacity rather than 200MW. This is the equivalent of approximately 4 or 5 current offshore wind turbines and we feel this would represent a fairer and proportionate total to have in our region.

Having to take 200MW of T&D projects in our region is unreasonable and unjustified and would result in placing significant pressure on our marine waters which are already subject to a significant amount of activity and development, as well as marine protected areas/environmental designations. There is also no guarantee provided in this consultation that

development in our waters will just be limited to the developers of the Shetland Region NE1 sites.

Again, we would welcome further clarification on why this approach has been decided upon and require further engagement and discussion on why we feel our proposed approach is needed.

#### Further Mitigation Measures for Sustainable Development of T&D Sites

During both the ScotWind and INTOG consultation we raised concerns on the fragmented nature of the offshore wind development process. This has now moved forward with the proposal to develop up to 200MW of T&D projects within the Shetland region as part of this Draft Plan. This continued uneven progression makes assessment of the full future environmental, economic and social implications of future offshore wind development, and its associated infrastructure, around Shetland very difficult to calculate and plan for. This above concern is exacerbated by the mitigation measures outlined in the Draft Plan and the fact that the T&D projects are not spatially defined.

It is noted on page 32 that the assumption is that T&D sites are more likely to be located “inshore” as opposed to “offshore”. We also note the statement in the mitigation measures for T&D sites which sets out that they “should be located beyond 15 km (around 8 nautical miles) from the coastline where that avoids significant seascape and visual effects, and impacts on coastal receptors”.

Locating T&D sites within inshore areas may also result in more significant conflicts with existing marine activities (fishing activities), existing and proposed marine development (aquaculture), recreation, shipping, visual impacts, seabed cabling/pipelines and environmental impacts. It is also likely to generate greater public and community opposition to further offshore wind development for the reasons outlined above.

#### T&D Works Licence Requirements – ZCC Act 1974

Under the Zetland County Council Act 1974 (the Act of 1974), as amended, Shetland Islands Council has a duty to promote the conservancy of, and control of development in, the coastal area of Shetland. In general terms this covers the placing of ‘works’ as defined by the 1974 Act in the sea, on the seabed or on the foreshore below Mean High Water Springs (MHWS) and out to 12 Nautical Miles (NM). Works means developments of all types other than for the purposes of marine fish farming.

Any proposal for T&D that falls within 12NM of Shetland would fall under the scope of the Zetland County Council Act 1974. As such, the development would be required to apply for a Works Licence from Shetland Islands Council for any works in this area. We therefore seek further discussion with the Marine Directorate on this matter before the plan is finalised in order to consider the implications of this, including how this would be administered alongside other consenting processes, such as Section 36 of the Electricity Act and the marine licence process.

#### ***2. Do you have any comments on how the benefits of offshore wind development could be maximised? If referring to development within a certain region, please specify.***

To maximise the benefits of offshore wind development, especially in Shetland, a range of coordinated, place-specific approaches is required. In terms of community benefit, the view of

Shetland Islands Council is that any offshore wind development in and around our waters impacts directly and specifically on the community of Shetland, with no or minimal impact on any other area or region, and therefore a regional and/or national approach to community benefit is not appropriate to developments where Shetland is clearly the host community. Benefits generated from the use of local resources should be returned to that local area, and the policy position of Shetland Islands Council is clear in identifying the whole of Shetland as the host community for geographically proximate offshore developments.

The report '[Analysis of Community Benefits in Shetland](#)' (see Appendix in the link) promotes as best practice the principle that community benefit funds should be held and managed by local democratically accountable organisations, further aligning with the "fundamental principle" asserted by the Just Transition Commission in their report on Shetland, that "these funds belong to local people and therefore it is for local people to decide how those resources are allocated." Specifically for floating offshore wind, the Council has endorsed the policy promoted in this report of aiming for 2.5% of gross project revenues as an appropriate and viable level of return and further recommends a guaranteed minimum income payment of £5.0k/MW/year (2024 prices, index-linked).

During the early stages of floating offshore wind, revenues per MW will be higher than in onshore wind (given significantly higher underlying costs and related Contracts for Difference (CfD) levels), whereas operating margins in percentage terms could well be lower than in onshore wind. 2.5% of gross project revenue is therefore an appropriate and viable share of the overall value realised by these projects. Traditional models link community benefit payments to installed capacity, but Shetland's exceptional wind resource means higher output per MW than elsewhere. Linking benefits to gross revenue rather than capacity ensures that Shetland receives a fairer, proportionate return on the energy it helps generate.

Allocating community benefit funds from offshore wind towards larger-scale, long-term, or more complex projects could significantly amplify their impact and ensure that funds can deliver lasting positive change. Instead of dispersing funds in small, short-term grants, large-scale projects can create lasting infrastructure and economic resilience. For example:

- Investing in affordable, sustainable housing could reduce depopulation, support local workers, and attract investment.
- Funding for maritime infrastructure, energy hubs, and green STEM skills could make Shetland a global leader in green energy, net zero and future-fit construction;
- Funds could be used to support development in transport connectivity, particularly high cost improvements to inter-island transport infrastructure;
- Addressing the high cost of local energy could reduce bills for every Shetland household.

Such projects could strengthen Shetland's economy in the long term, while supporting local supply chains and workforce development. These would also ensure that funding is invested in a way that delivers long term positive change to areas of island life where significant capital investments and complex long-term planning are required.

Shetland Islands Council also remains concerned that the continuing voluntary status of community benefit agreements means that there is no real enforcement mechanism and thus little or no effective action to address non-compliance. A significant aspect of what 'good' looks

like is ensuring that local communities have recourse where a developer either does not engage in, or does not honour the terms of, a benefit agreement. This would best be addressed through legislation which protects the interests of communities, but in that absence we would suggest that, in the case of offshore wind, Crown Estate Scotland should take a role and ensure that leasing agreements with offshore developers include binding community benefit agreements which clearly meet with good practice guidelines and locally developed principles established by the host community, with clear penalties for non-compliance. This model would be scaleable to onshore developments where the landlord is a government agency or body.

It should be noted that community benefit payments are distinct and separate from the question of compensation or disturbance payments for the fishing industry – such regimes should be considered with care and urgency, and in full consultation with industry representatives and affected businesses.

[‘A Fair Share for Shetland’](#) developed by the Energy Transition Task Force, states that community benefits should be considered separate and distinct from other ‘benefits’ accrued by areas hosting large scale energy projects, namely:

- Indirect benefits and market gains - secondary gains that are accrued from developments, typically accrued benefits that come through all stages and elements of supply chain, direct and indirect employment, skills development, clusters of new and developing industries and other wider financial benefit to places (i.e. increasing business rate take). To maximise gains, developers should work collaboratively to build local supply chain capabilities with local stakeholders (in Shetland, this particularly relates to the EmPowering Shetland forum) and enter into undertakings to prioritise local supply chain content.
- Compensation Payments are reasonably due to fisheries and aquaculture interests affected by offshore development. This should be recognised and resolved by Crown Estate Scotland, Scottish Government, developers and those who will suffer disadvantage, including future generations.
- Fiscal and regulatory changes – this particularly relates to the experience of Shetland as a host for large scale energy projects which generate power at significant scale, yet local households and business pay the highest energy bills in the UK. This is an issue of basic fairness and just transition which requires regulatory change to address.
- Shared ownership of offshore wind developments could offer Shetland a transformative economic opportunity, enabling local communities to secure long-term wealth, decision-making power, and economic security, and leverage the local experiences in dealing with the oil and gas sector:
  - o A community stake in offshore wind could generate significant recurring income, which can be reinvested into Shetland’s future.
  - o Communities with ownership stakes can potentially influence supply chain and workforce policies, ensuring that development of community wealth can influence the wider economic landscape
  - o Shared ownership could unlock opportunities for negotiation of lower energy costs for local households and businesses. As an example, in Denmark community-owned wind projects provide discounted energy to local residents.

o Securing shared ownership stakes ensures that local areas can retain control over its renewable resources and can secure voting rights in major project decisions, including over vital issues such as environmental protections, and long-term development plans.

o Shared ownership structures could create legally binding guarantees of reinvestment into Shetland, preventing asset stripping.

Shetland Islands Council has also developed the “Shetland Energy Development Principles” which should be adopted by regulators and developers:

<https://coins.shetland.gov.uk/submissiondocuments.asp?submissionid=28526>

The eight principles are:

1.1 - Energy Developments on and around Shetland

1.2 - Consenting Development and Environmental Protection

1.3 – Realising Local Supply Chain Opportunities; Upstream, Midstream and Downstream

1.4 – Fair Local share of income from Land and Seabed rents and option payments

1.5 – Protecting the Marine Environment and existing Economic Sectors

1.5.1 – Marine Environment Protection

1.5.2 – Fisheries and Aquaculture Co-existence

1.6 - Direct Community Benefit to Shetland as the Local Host

1.6.1 - Identification of Host Community

1.7 - Community Benefit Package

1.7.1 - Community Benefit Delivery Vehicles – Benefit Funds

1.7.2 - Community Benefit Delivery Vehicles – Energy Benefits

1.8 - Reform of Electricity Regulation and Pricing in a “Green Energy Area”

### **3. Do you have any comments on how social impacts could be mitigated?**

Impacts can be identified and subsequently mitigated through early consultation with the communities, local authorities, regulators and key stakeholders in the marine environment. Onshore impacts should also be considered along with the capacity of small islands and communities in Shetland who are impacted by offshore renewables. The Shetland specific documents referred to above, should be adhered to.

### **4. Do you have any comments on how economic impacts could be mitigated?**

Compensation Payments are reasonably due to fisheries and aquaculture interests affected by offshore development. This should be recognised and resolved by Crown Estate Scotland,

Scottish Government, developers and those who will suffer disadvantage, including future generations.

Mechanisms regarding 'community benefit' (reference to compensation is studiously avoided) in relation to payments for interconnecting electricity transmission infrastructure, i.e. pylons, cables and sub-stations etc. should be rigorously 'islands proofed', especially in relation to marine cables. There also appears to be a general lack of appreciation as to the impact of onshore transmission infrastructure on a fragile visual environment like Shetland.

**5. Do you have any comments on how environmental impacts could be mitigated?**

Environmental impacts could be mitigated to an extent by requiring that the T&D projects are located within the existing Option Areas for ScotWind and INTOG. In our case, both the Stoura and Arven NE1 sites have already been subject to extensive environmental data collection, analysis and monitoring over the past few years. Both developers, Arven and Stoura, have compiled a significant amount of environmental data in support of future applications in these areas and have recently completed EIA Scoping. It would therefore make sense to locate the T&D projects within these areas and utilise the data, analysis of environmental impacts, and mitigation measures that have already been identified.

**6. Do you think the monitoring of environmental impacts of the draft Plan should be overseen by existing expert groups, or should a new expert advisory group be established for this purpose?**

We have no strong view although the establishment of an advisory group may help achieve this. Regardless of what is agreed and taken forward, the expert groups or advisory group should be made aware of and look to align with the Shetland Energy Development Principles and the work ongoing in Shetland to establish mechanisms for the Environmental Monitoring of Marine Renewable Developments. At present work is progressing on developing a monitoring group which includes representatives from Shetland Islands Council, the Shetland Fishermen's Association, the aquaculture industry, the renewables industry, environmental organisations, SSEN and CES.

**7. Do you have any comments on the proposed changes to the SMP-OWE governance structure?**

No.

**8. Do you have any suggestions for how evidence should be shared and/or fed into strategic research programmes?**

NatureScot and JNCC would be best placed to advise on this matter.

**9. Do you agree with the approach proposed to remove the iterative plan review process and replace it with the stated evidence and future planning proposals?**

No strong preference but the stated evidence and future planning proposal appears to be a reasonable way to proceed.

**10. If you have any further comments or points that you think should be taken into account in the plan, please provide those below.**

No comment, although the impacts upon commercial fisheries have been covered within this consultation and its supporting documents, including the ICIA. Due regard should be given to any responses made by Shetland fishing industry representatives along with those made by individuals and organisations based in or representing Shetland.

**11. A policy review has identified that no aspects of the draft plan will impact on children's rights, as outlined briefly in Annex C. Do you agree with these findings? If you have identified any impacts on children's rights and/or wellbeing, please explain.**

No comment.

**12. Do you have any comments on the partial Business and Regulatory Impact Assessment?**

No comment.

**13. Do you have any comments on the partial Island Communities Impact Assessment?**

The Partial ICIA concludes that there are likely to be differential impacts on islands areas as a result of proximate option areas – it is the expectation that this will lead to full ICIA's from specific developments, but any islands impact assessment must include the impacts of supporting transmission infrastructure such as cables, pylons and onshore stations, which will have further impacts beyond the presence of offshore turbines. This will be particularly significant given the vulnerability of Shetland's landscape, coastline and industries, and the presence of multiple concurrent and planned developments which will impact on these.

**14. Do you have any comments on the Strategic Environmental Assessment Environmental Report?**

No.

**15. Do you have any comments on the Habitats Regulations Appraisal Appropriate Assessment Information Report?**

No.

## **16. Do you have any comments on the Social and Economic Impact Assessment?**

The specific section of the SEIA on Shetland contains numerous instances where Shetland's economy, community and culture are either mischaracterised or inaccurately represented, and these require to be corrected.

6.2.4 – This section appears to suggest that mussel and oyster production in Shetland are of equivalent size and importance, whereas oyster production is a much newer and smaller industry than the more established and sizeable mussel sector;

6.2.9 – Shetland does not suffer from a high degree of educational deprivation nor a high number of young people not in education, training or employment;

6.2.10 – Shetland does not have a significant issue with unemployment, with latest figures from NOMIS showing 85.5% of people economically active and 1.6% unemployment;

6.2.15 – As it is not an indigenous language, issues relating to Gaelic language are not relevant to Shetland in any way;

6.3.9 – The SEIA states that “unemployment, lack of job opportunities, and lack of job creation” are issues for Shetland. This is not reflective of local circumstances as there are many key job roles unfilled and significant difficulties in recruitment and retention experienced by local employers. The latest jobs density figures for Shetland showed 1.2 jobs per 16-64 persons (compared on 0.84 nationally) demonstrating more jobs than there are available local people to fill them. This shows that the key economic issue relating to employment resulting from offshore wind development will be employment displacement rather than unemployment reduction – the SEIA should reflect that without measures to increase the working age population (e.g. investment in house building) it is likely that impacts in existing industries will be greater than projected due to the employment displacement effects which will take place as a result of job creation.

6.3.18 – Gross weekly pay in Shetland is shown as significantly higher than Scotland (£792.80 in Shetland compared to £739.70 in Scotland) – however, the SEIA does not appear to take into account the significantly higher cost of living in Shetland compared to elsewhere in the country (particularly expressed in energy bills) which is one of the key socio-economic issues facing the area;

6.3.21 – “Skills and training issues in the Shetland region include educational deprivation, lack of training opportunities, number of young people not in education, employment or training, and young people not being able to find high skilled/well-paid jobs.” – this is not reflective of local circumstances, particularly the Annual Participation Measure 2024 which shows 97.8% of 16-19 year olds participating in education, employment or training, which is the highest of any local authority in Scotland and higher than the Scottish average of 92.3%, and high rates on Modern Apprenticeship achievements (84% in 2024/25 compared to 80% in Scotland).

6.3.22-23 – these are not relevant to Shetland.

6.4.9 – the impacts on commercial fisheries could be significantly higher due to the less quantifiable effects of affecting confidence and certainty in the sector. Impacts on catching activity, etc. could have the effect of encouraging people to leave the sector and discouraging young entrants, leading to a decline in activity and thus volume. The supply chain which supports the sector (including, but not limited to haulage, port services, auction/sales services,

engineering, net services, wholesale, retail and business services) are based largely on volume of supply – put bluntly, the less fish landed, the less demand for supply chain services. The impact on catching activity may be offset to some degree by compensation paid directly to the catching sector, but this will not mitigate the impact on the ability of the sector to attract new entrants, or the impacts on the downstream supply chain.

Additionally:

- In the Shetland section the third paragraph is inaccurate – the HVDC link does not support offshore wind projects. Also the Viking project is not mentioned.
- In the Shetland section (6.4.24) the Maali Link Interconnector is a Statkraft visionary project, which appears to be currently set aside and is therefore a long way from final consent. It would be better to broadly refer to possible future interconnector links with Norway.
- A final point in the Shetland section is to include the lifeline ferry route from Lerwick to the mainland in the first list of port services. The route is mentioned later in the section.

**17. Do you have any comments on the Nature Conservation Marine Protected Area Assessment?**

NatureScot and JNCC would be best placed to advise on this matter.

**18. Do you have any comments on the Sustainability Appraisal report?**

No.

**19. Do you have any comments on the Regional Locational Guidance?**

As with the Sectoral Plan itself, the approach to Test and Demonstration (T&D) outlined is:

*In terms of T&D parameters, no more than a total of 1 GW of installed capacity For T&D projects should be leased. This capacity should be equally split between the five regions outlined in the Draft Plan (West, North, Shetland, North East, and East), with no more than 200 MW leased per region. Any project will be subject to CES leasing processes as well as usual consenting and licensing requirements. Sites are likely to be relatively small (no larger than 100 MW of potential generation capacity) with a clear purpose of T&D. They should not be located in an existing OA or in a Marine Protected Area (MPA).*

Please refer to our comments on question 1 of this consultation with regards to our views and benefits of containing the Test and Demonstration Projects in the existing Option Areas.

In our view the Regional Locational Guidance (RLG) only provides a basic high-level overview of some of the key considerations and constraints within the Shetland Region. The information

presented adds little to that which is already available within our Draft Regional Marine Plan, and Adopted Marine Spatial Plan for our Regional Waters (12NM), and also National Marine Plan Interactive. It serves little purpose in guiding T&D development to areas of least impact, as T&D projects have not been spatially defined. This only serves to create more uncertainty for ourselves as regulators for Works Licences within 12NM of Shetland and our communities, marine users and industries impacted by offshore wind development.

As set out in our response to question 1, if there is a valid and lawful reason why the T&D sites cannot be located within the existing NE1 sites then the Sectoral Plan and RLG should be amended to actually identify potential suitable areas for future development, rather than currently relying on project level proposals, pre-application and mitigation measures alone. This should be supported by a CES leasing round for T&D. However, our current view remains that locating T&D within existing Option Areas is the most practical and measured way to proceed.