

Riding on the winds of change – Taiwan's next phase of development in the offshore wind market

25 November 2020

At the recent Energy Taiwan forum in October 2020, Taiwan government representatives reiterated the government's ambitious targets for renewable energy and the plan to bring Taiwan's overall offshore wind capacity to approximately 15.5 gigawatts (GW) by 2035. Riding on a successful 5.7GW of projects in the second round of offshore wind selections and auctions, on 19 November 2020, the government put forward a draft proposal for the third round of development for Taiwan offshore wind. This round foresees an additional 10GW of expected installed capacity in offshore wind from 2026 to 2035, with the government signalling applications from eligible applicants as early as 2022/2023 for new projects for approximately 1GW of capacity in each year starting 2026.

Different from previous rounds, round three encourages government agencies to work closely with developers in gathering information about the planned sites, instead of having government agencies pre-selecting and then auctioning the designated sites to developers. Round three will also see eligible developers making applications for "site planning" and take proactive roles in the allocation of offshore wind zonal development capacity. This change is expected to ensure new project development is closely tailored to the expectation of the industry, and allows developers of existing projects to find synergy with their earlier projects by possibly expanding to adjacent sites and improving the planning of administrative and ancillary infrastructure and other interfacing facilities.

This new round will also aim to streamline the process of site and capacity allocation. Eligible applicants will need to submit applications demonstrating financial capabilities, site proposals (indicating boundaries of the wind farm), layout of the wind turbines, and comments on the site proposal from relevant authorities. As soon as the Ministry of Economic Affairs, Taiwan (MOEA) is satisfied with the site proposal and provides its preliminary approval, the eligible applicant will be permitted to proceed with the project. Same as in previous rounds, the applicable feed-in tariff will depend on when the power purchase agreement is entered into with Taipower.

Recent developments in the market suggest that the government is likely going to assert more oversight on the new projects, including the increased focus on localization requirements and the government's encouragement of more involvement from local financial institutions in the project financing of these offshore wind projects.

It is also worth noting that round three now requires any eligible applicant to submit its site proposal with comments and/or approval from the relevant authorities, which, in essence, requires the applicant to frontload communications with the relevant regulators and/or local parties such as fishermen's associations (which in previous rounds had previously come after site allocation). Given the government is not going to pre-select or auction any allocation in round three (but instead review and approve project proposals on a case-by-case basis from eligible applicants), the uncertainty of project development for international investors will only increase. This, perhaps deliberately, stresses the benefits of partnering with local investors from an early stage, especially since the relationships that local investors have in the market may reduce the frontloaded costs that come with the process of canvassing the "right" site for development.

The MOEA is currently accepting comments from the public on the draft proposal and the final proposal is expected to be released before the end of 2020.

In conclusion, while there are changes to the selection of sites and allocation of available capacity, Taiwan's determination in developing its renewable energy sector continues to be supported by government policies and market interest. Notably, the availability of corporate power purchase agreements for renewable energy projects has provided alternative sources of revenue for renewables projects. Coupled with a favorable tariffs and a strong offtaker in Taipower, Taiwan expects to continue developing its leading position as a renewable energy hub in East Asia.

Key takeaways from the draft proposal:

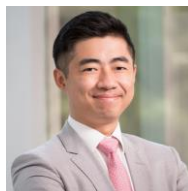
Eligible Applicants	<ol style="list-style-type: none"> 1. An electricity enterprise licensed pursuant to the Electricity Act. 2. A preparatory office of an electricity enterprise.
Financial Requirement	At least five percent of total investment in the proposed project being funded by its own capital. Total investment in general shall mean the proposed capacity to be installed multiply by the initial setup cost per kilowatt hour based on the feed-in tariff for offshore wind announced in the year of application.
Noticeable Points to be covered in the Application	<ol style="list-style-type: none"> 1. The proposed capacity to be installed in a single application must be at least 100 megawatt (MW) with no less than 5MW per square kilometer. 2. The shortest distance between the center of wind turbine foundation and the boundaries of the wind farm must be no less than 6D (i.e., six times the diameter of the wind turbine impeller). 3. The proposed site must not overlap with an existing site which has been approved by the MOEA. In case of an overlap, the applicant must adjust the center of its wind turbine foundation so that the shortest distance between the center of its wind turbine foundation and the site on which the installation of offshore wind turbine system has been approved by the MOEA as described above is no less than 12D (12 times the diameter of the wind turbine impeller). 4. In case of a site overlap between different applications undergoing review, the MOEA may, based on the order in which the relevant approvals are granted, advise the applicant who obtained such approval later to adjust the its site proposal and the location of the wind turbine according to the same principle above so that the sites are no less than 12D apart.
Ancillary	<ol style="list-style-type: none"> 1. Proof of incorporation (evidencing the establishment of electricity

<p>Documents Required as part of the Site Planning Proposal</p>	<p>enterprise or preparatory office of an electricity enterprise).</p> <ol style="list-style-type: none"> 2. Proof of financial: <ol style="list-style-type: none"> i. (i) In case of an electricity enterprise, the applicant should attach document which certify the amount of paid-in capital; or ii. (ii) in case of a preparatory office, the applicant should attach either a bank statement issued and certified by the bank where the preparatory office has a deposit account, or in case the promoter of the preparatory office is a corporation, document certify the amount of paid-in capital of the promoter is also acceptable. 3. Map showing the location of the planned wind farm and its boundaries. 4. Drawing showing the layout of wind turbines. 5. Data consent form. 6. Waiver form (not specified at this stage). 7. Comments and/or approval from relevant authorities overseeing aviation, radar, military, construction prohibition and restriction, vessel safety, aquatic animal and plant breeding and conservation areas, mining rights, and fishing rights. 8. Other documents as may be required by the MOEA from time to time.
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