

A NEW OFFSHORE WIND DEAL FOR EUROPE

Europe faces unprecedented challenges in energy security, dependence on weaponized energy imports, competitiveness, affordability, and decarbonization. Europe's energy system must address these challenges, and homegrown offshore wind power is a key solution in this regard. Over the past decade, offshore wind has scaled up faster than expected, reduced costs, and provided reliable electricity for tens of millions of people as well as businesses.

To competitively deliver offshore wind to meet Europe's growing electricity demand, annual capacity installations must reach 15 GW by the 2030s.

However, the industry is at a crossroads: while ambition remains, increased risk and uncertainty across a multitude of dimensions like cost inflation, cost of capital increases, uncertain electrification and future electricity demand, high risk auction framework, declining project commercial viability, lower investor confidence, and financial pressure, slow down the investment needed to scale up.

But Europe needs a homegrown offshore wind industry, and the offshore wind industry needs Europe.

Therefore we call on European governments to revive the market through two key measures:

- **Commit to 100 GW Contracts for Difference (CfDs):** Auction out at least 100 GW CfDs over 10 years with firm political commitment through fixed price and indexed contracts (2-sided CfD or similar instruments) in an optimised and de-risked auction framework to create bankable projects.
- **Consistent commissioning:** Plan the commissioning deadlines of the 100 GW evenly with 10 GW annually from 2031-2040 to create market predictability through cross-border planning, while ensuring sufficient flexibility on commissioning dates to allow for optimal supply chain utilisation and investments.

Along with additional capacity backed by Power Purchase Agreements, this will lay the foundation for a sustainable and competitive offshore wind industry to achieve 15 GW installations annually by the 2030s. Offshore wind power's performance can be further optimized through regional offshore transmission and planning for reduced wake effects. These priorities must be accompanied by broader measures to accelerate electrification, support energy-consuming industries' competitiveness, and require a step-change in grid development and financing.

We, the offshore wind industry, will in return deliver:

- **Capital for investments:** Ensure the industry scale to meet the de-risked, committed volumes, by investing in projects, industry, manufacturing capacity and people.
- **Cost reductions:** Bring offshore wind to a better financing position and onto an accelerated cost reduction learning curve, which will reduce the cost of electricity (LCOE) by 30% towards 2040

allowing offshore wind to meaningfully play its role, e.g. through access to lower cost of capital, derisking projects, collaboration on standardisation, and additional industrialisation savings from a project's CAPEX and OPEX improvements across all components and processes, in a competitive environment.

- **Community & society value:** Deliver long-lasting value to both communities by driving economic activity, lasting investments, and high-quality jobs, not least in coastal communities – and to consumers by reducing their electricity bills. And further help mitigate rising costs of energy, diversify supply and increase energy security and resilience. Ensuring projects are built on time, with high quality and delivered at a cost basis in line with the project business case.

In summary, we need a partnership between industry and governments that enables effective build-out at scale to meet Europe's needs for affordable, secure, and clean energy. By working together, we can create the right conditions for a sustainable and competitive offshore wind sector that delivers long-term benefits for European citizens and businesses alike. The challenges are significant, but the opportunities are equally substantial. By acting together, we can ensure the lasting success of offshore wind and, in doing so, ensure Europe's energy future.

BACKGROUND: THE NEED FOR OFFSHORE WIND

All clean energy sources have a crucial role to play in Europe's energy future. Offshore wind is a necessity in the future energy mix, as the industry provides scalable, cost-effective, and reliable energy and has unique value for the renewable energy system due to its high-capacity factor. Governments have stated plans for very ambitious offshore wind build out by 2040, and – depending on how demand evolves – it is likely that 350-450 GW will be needed by 2050 to fuel Europe, which is more than ten times the current installed capacity.

OFFSHORE WIND IS AT A CROSS-ROAD

Over the past decade, offshore wind matured to become cost competitive with most power technologies. But cost inflation, higher interest rates, and higher uncertainty about the pace of electrification have increased power sector risk and put pressure on offshore wind business cases across the industry. This has created uncertainties in the supply chain and has caused bottlenecks. In some markets the situation is aggravated by the fact that auction schemes have led to very high concession payments.

Governments initially responded to the energy crisis at the start of the Russian invasion of Ukraine by increasing ambitions for offshore wind drastically, and by turning the increased ambitions into auctions of large volumes of new projects relatively quickly. However, the viability of projects is declining as auction design are not always reflective of the industry environment, while frameworks with continued value extraction add to the uncertainty and inability to invest currently. As an industry, we have done a reality check, and we acknowledge that our previous ambitions and calls to action on speed and scale have been challenging to deliver on without the viable volume needed to unlock them. Uncertainties and risks are simply too high. There have been financial losses across leading players in the industry and there is low confidence from capital markets.

What should have been the platform for accelerating offshore wind have instead led the industry into a negative spiral, which holds a real risk of industry stagnation and that even awarded European projects will be cancelled as we have seen in the US. Currently, industry analysts agree that political targets for offshore wind for 2030/2035 will not be met. In addition, analysts also assess that more than 20% of the European projects in the current environment are at risk of being delayed and/or cancelled, which will have detrimental consequences for not only the offshore wind industry, but for Europe's energy future.

NEXT STEPS

This is why we call for immediate action and a new industry regime across policy makers, developers and the supply chain. Removing risks. Less stop-and-go. More certainty. Secure capacity. Lower costs. In short: A revival of the offshore wind industry, for Europe!

Progress is being made on various national levels, through The North Seas Energy Cooperation (NSEC), with the EU Wind Power Package and recent Clean Industrial Deal. Leading up to the North Sea Summit, the offshore wind industry looks forward to cooperating with governments, on a new, concrete deal to increase de-risked and commercially viable capacity and reduce costs for offshore wind.

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