

WindEurope views on Pre-qualification and non-price award criteria in renewable auctions

1. Introduction

The Net-Zero Industry Act (NZIA) includes several measures relevant for the EU wind industry. It sets the goal to reach 36 GW of manufacturing capacity by 2030. It also introduces for the first time **mandatory non-price criteria in renewables auctions – both prequalification and award criteria** – for at least 30% of the annual volumes of renewables tendered by Member States. If well designed, Member States could use them to maximise the social and economic benefits the EU wind industry is bringing to the European economy.

The European Union will now adopt a series of implementing legislation to further detail how these non-price criteria rules will work. Four of them are relevant for the EU wind industry:

- Delegated act defining the list of main components to assess the resilience criteria (draft of annex X – mentioned in article 46.7)
- Implementing act on non-price prequalification and award criteria in renewable auctions (article 26.3)
- Implementing act on the assessment of the resilience criterion (art. 29.2).
- Implementing act on sustainability criteria for public procurement procedures (art 25.5).

This document outlines the recommendations of the European wind industry to those implementing acts.

2. WindEurope positions

This section focuses on the implementing act on sustainable criteria for public procurement procedures (art 25.5). The point on resilience also includes recommendations for the delegated act defining the list of main components to assess the resilience criteria (draft of annex X – mentioned in article 46.7) and for assessment of the resilience criterion (art 29.2). The point on sustainability is also valid for sustainability criteria from public procurement (art 25.5)

a. Resilience

For this section, please also refer to the position paper dedicated to Resilience.

It is essential to apply a technology-specific approach to the resilience criterion given the very different supply chain starting points, as well as project sizes and complexity, between different technologies. There could not be a one-size fits all solution.

It is essential to have all Member States applying the resilience criterion uniformly. It will be impossible for the supply chain to deal with 27 different sourcing requirements for the same components or

technology. This would fragment the European wind industry and put its viability at risk. It is the opposite of what needs to be done to quickly ramp up the manufacturing capacity in Europe to meet our 2030 climate neutrality targets.

The resilience criterion for public procurement and renewable auction must be aligned as much as possible. Most renewable auctions fall under article 26 of NZIA, but some auctions have included references to the EU public procurement rules, and therefore might need to apply article 25 of NZIA. Moreover, certain State-owned companies are also subject to EU public procurement rules when buying equipment, such as wind turbines. They may need to comply with article 25 even though they are bidding in a renewable auction under article 26.

To avoid fragmenting the market, the resilience criterion must therefore be defined and assessed as similarly as possible under articles 25 and 26 in the Implementing Act. This means having the same list of components, the same methodology to track the dependencies, the same geographical scope, and the same way of demonstrating compliance.

The resilience threshold of e.g. 50% should be calculated at project level. Project level must be understood as the **aggregated value of the main components** for the relevant net-zero technology.

The list of components should be defined as follows: 1) Tower 2) Blades 3) Nacelle (that can be further divided into drive and hub with those elements are not already included under “Nacelle”).

We do not support the inclusion of permanent magnets. Europe is fully dependent on China, and not only for the wind industry. Penalising the use of imported permanent magnets when no alternative sourcing or EU production is available hampers the EU meeting its wind targets, delays projects and makes wind energy less competitive and more expensive for end consumers. If included, it must be accompanied by a Roadmap, in line with the Critical Raw Material Act.

The contribution to resilience will have to be in a form of a commitment at the time of the bid. Compliance must be demonstrated at the time of the delivery of the project. This is essential considering that the supply chain make sourcing decisions shortly before the construction phase, to adapt to external changes, such as geopolitical events or global sanitary issues.

Geographical scope: Article 25 on public procurement rule specifies that the resilience criterion for public procurement procedures does not apply to countries signatories of the Agreement on General Procurement (GPA), that include the United Kingdom and the US.

- Exempting these countries also in article 26 would therefore align the scope of the two articles (art. 25 and art. 26).
- Neighbouring markets which are deeply integrated with the EU, such as Turkey (part of the EU Customs Union) and the EFTA countries (Norway), should be considered on a par with EU countries when applying the resilience criterion.

At least for offshore wind, the resilience criterion should be applied as a non-price award criterion.

b. Environmental Sustainability:

For this section, please also refer to the position paper dedicated to Recycling and Life Cycle Analysis.

The European wind industry has sustainability in its DNA.

- **Recyclability:**

- Wind turbines are 85-90% recyclable. And we want to go to 100%. Blades have been a challenge. The wind industry has committed to **not send any decommissioned blades to landfill AND to re-use, recycle, or recover 100% of the decommissioned blades**. Governments and national authorities should include this commitment as a **pre-qualification criterion** for wind energy auctions.
 - **To do so**, Governments **could** request applicants to submit an accompanying end-of-life strategy that captures the state of the blade recycling supply chain, existing and emerging technologies, and a description of how the commitments will be implemented at the end of operations.
 - Governments **should not** prescribe or reward specific recycling routes because most blade recycling technologies are still in various stages of maturity and blades will only be recycled several decades after the auction is held.
- Governments **could** consider wider circularity requirements. These requirements should be applied as **award criteria**.
 - Any such requirement should focus on selected key turbine components. For offshore wind auctions the foundations and the wider plant infrastructure should be excluded until a clear legal framework for offshore decommissioning is established.
 - In applying any such circularity criteria governments **should** reward projects that help achieve the benchmark targets for recycling of Critical Raw Materials as identified in the Critical Raw Materials Act (i.e., at least 25% of critical raw materials need to be prepared for reuse and recycling).
 - Such reward **should** reward projects that present the most credible roadmap for delivery on the circularity criteria requirements (e.g., TRL mapping of recycling solutions, experience in recycling blades, participation in research projects...).
- **Lifecycle carbon footprints should be avoided in wind energy auctions for the time being**. There is no common assessment methodology which could lead to a ‘beauty contest’. The industry is working on harmonising lifecycle assessments practices within the International Energy Agency’s Wind Energy Technology Collaboration Platform.
- Building upon the wind industry’s strengths, **non-price award criteria on environmental protection** will be important to drive forward the energy transition. We support the use of the **qualitative biodiversity and ecological innovation criteria**. The criteria should reward projects that have the lowest biodiversity impact or contribute to nature enhancement with net-positive impacts. Governments will need flexibility to tailor the criteria to suit the site-specific conditions.

c. Energy System Integration:

Based on the generic definition in NZIA, Art. 3 (r) the scope of an energy system integration criteria can address the following objectives:

- Providing flexibility to reduce the need and cost of flexibility in the wider system. This could for instance reward projects that deliver ancillary services.

- Enabling grid infrastructure cost savings, e.g. by a better utilisation or smaller dimensioning of the grid connection (for instance co-location with electricity storage and/or solar) or reduced curtailments in the wider system.
- Create asset related synergies with regards to direct or indirect electrification.

However, it is important to note that in some cases system integration objectives could be targeted more efficiently on a system level than on the level of single assets in auctions. For instance, establishing general market incentives (e.g. enhanced products in ancillary service markets) could be more efficient than requesting a solution from a single renewable asset via non-price criteria in an auction.

For this reason, and due to the complexity and the potential high cost of ESI measures **Member States should perform a comprehensive impact assessment before introducing an energy system integration NPC**, notably answering the following questions:

- What is the objective and the system need to tackle? Are there potentially better alternative instruments at system level to pursue the system integration objective?
- What are the expected benefits for the system and their (monetary) value (e.g. grid cost savings)? What are the expected additional costs for the projects?? Will the delivery risk of the project increase?
- What is the reasoning to apply the NPC as a prequalification or award criteria?

The impact assessment should be based on **solid expertise provided by the System Operator on system needs, consulting all relevant stakeholders**, including grid users and technology suppliers. The application of the ESI criterion must not lead to add battery storage or electrolysers to each single project if there is no demonstrated system needs.

To be objective and transparent, the assessment of this criterion should be quantifiable. It should define the objective but allow bidders to choose the best suited technology to provide a solution to the identified system needs.

- For instance, it should not prescribe the use of a specific technology like battery storage, but instead assess the contribution of the solution to increase a wind farms' capacity factor/average utilisation of a grid connection or overplanting of renewable capacity vs. grid connection capacity.
- Developers can then choose the most efficient measure or mix of measures depending on their capabilities and cost structures, e.g. co-location with electricity storage and/or solar, renewable hydrogen production.

The objectives that an ESI criterion could target are the following:

- **Flattening the output of the supported RES asset (temporal variability) & reducing the re-dispatching of the asset to a cost-efficient level:** parameters like overplanting or capacity factor/average utilisation of grid connection can reduce temporal variability, reduce peak feed-in and thus also the need for curtailments/re-dispatch in the wider system.
- **Contributing to the decarbonisation of other energy carriers:** This should be handled with care. General market incentives for the decarbonisation of energy carriers, e.g. for producing green hydrogen with electrolysers, may be more efficient in terms of optimal location, sizing, sourcing of green electricity if thought from a system perspective than linking it to particular assets in auctions, especially for onshore wind. For offshore wind combination with offshore electrolysers can make sense, however this should be organised in dedicated O2X tenders.

The Implementing Act could provide a set of best practice specifications that are able to deliver a clear and measurable benefit for society and for the system, do not trigger overshooting project cost, incentivise credible bid offers, avoid project delivery risk and are simple to implement and comply with Member States should then adapt this into specific national needs.

d. Cyber and data security:

For this section, please also refer to the position paper dedicated to Cybersecurity.

Compliance with existing cybersecurity legislation is a necessary foundation but not entirely sufficient on its own.

- Achieving the cybersecurity objectives in renewable energy auctions requires ongoing adaptation to new threats, continuous improvement in risk management practices, and international collaboration. **Winning projects must demonstrate a comprehensive approach to enhancing cybersecurity, ensuring that measures are up-to-date and effective in the evolving landscape, during the lifetime of the projects.**
- In a context of fast-evolving cybersecurity threats over the energy sector, the NS1 and NS2 legislation will not cover the complete scope of the renewable energy sector. Small energy production plants under 10 MW will not be impacted regardless of their connection to the energy grid and their impact on cross-border electricity flow.
- To address this regulatory gap, a possible solution could be:
 - A tiered regulatory approach with basic mandatory measures and voluntary guidelines to encourage best practices. Financial support through subsidies and grants, along with training programs, will help small operators upgrade their cybersecurity.
 - Information sharing between large and small producers and fostering public-private partnerships will enhance threat mitigation strategies.
 - Simplified reporting mechanisms and centralized assistance will ensure compliance and effective incident management without imposing excessive burdens.
- In addition to recognised security standards, **cybersecurity risk assessments should be done and provided to local authorities** to ensure a minimum of cybersecurity maturity level in the design, construction and operation of the plants.

The distinction between cybersecurity and data security should be interpreted as follows:

- **Cybersecurity:** Emphasize measures to protect the overall infrastructure and systems from cyber threats. Implement regular risk assessments, continuous improvement, and adherence to international standards.
- **Data security:** Focus on protecting data integrity, confidentiality, and availability. Ensure compliance with data protection regulations, prioritize secure data handling practices, and conduct regular audits.

In the wind sector we can mention two possible examples:

- Denmark where compliance with NIS 2 is listed as a prequalification criterion This specific auction is ongoing, with the tender officially published in April 2024, and the award decision still pending.

- The Princess Elisabeth auction in Belgium where all concessions will be subject to the upcoming NIS2-directive. The following standards must be followed: IEC 62443, ISO 27001, CIS20 (controls). This requirement will be reviewed one year after the acquisition date. If this requirement is not met at that time, a fine will be imposed to ensure that this criterion is effectively met.

Considering the increasing of risk of supply-chain attacks or sponsored-state attacks, proof of cybersecurity risk assessment should be provided to ensure the integration of **cybersecurity risk mitigation**.

The technology specific elements include comprehensive risk management of:

- hardware (turbines, sensors, control systems) and software (operating systems, application software) components;
- differentiation of risks associated with active (cybersecurity components) and passive components (cables, connectors, structural elements);
- supplier vetting and data residency requirements.

e. **Innovation:**

The European wind industry is globally competitive due to its ability to develop cutting edge technology. Non-price award criteria should thus reward projects that **support European R&D efforts** ([as defined by the ETIP wind agenda](#)) and apply new technology solutions or materials. For instance, testing new (composite) materials or technologies (different floating foundations and moorings).

Still the criteria should be commensurate as implementing innovation increases the risk profile and associated costs of wind energy projects. Applying innovation criteria **should not lead to less investment in the supply chain**, as **the priority remain to scale up European wind manufacturing to meet our European climate neutrality target**.

Innovation should **not be limited to the final installed equipment**.

- Europe needs to build around 30 GW of new wind farms every year up to 2030 to reach its climate and energy security goals. This will require **innovation across the entire value chain, including manufacturing, logistics and installation**.
- Finally, the innovation criterion may also be linked to other criteria such as innovative measures to enhanced biodiversity protection, or solutions to system integration needs.

f. **Ability to deliver:**

Differentiation between onshore and offshore requirements is essential, with stricter criteria for offshore projects due to their higher technical complexity and financing capacity required.

“Ability to deliver” already applies today through technical capability, financial stability, and bid bonds. It is set as a pre-qualification criterion to ensure that only companies or consortia with the necessary capabilities, experience, and resources are allowed to bid. This should continue in the future:

- **Technical capability:** Companies must demonstrate technical capabilities and relevant experience in wind projects. A minimum experience in developing wind project is often

required. It should not prevent new entrants into the market, for instance experience is often evaluated at consortium level.

- **Financial stability:** Companies must demonstrate financial stability and capacity to undertake the project. This element refers to the ability of the consortium to take on such a project. It can be audited accounts, demonstrated ability to finance large energy projects or to raise debt, experience in raising funds, etc.
- **Bid bonds:** All participants or only the successful bidders must pay bid bonds to prove their commitment in constructing the project. This can be in the form of *bank guarantees*. Level and design shall be defined based on local market conditions. For unsuccessful bidders, the bid bond must be returned very soon after the winning announcement. For the successful bidder, the bid bond should be transformed into a realization bond, which is paid back upon proof of project realization with pro-rata withhold for partial project realization. For example, in Denmark, the Netherlands, and Germany, the security deposit (or bid bond) is released only upon project's completion.

Auctions should include realistic delivery timelines. Too ambitious timelines may reduce competition due to the associated costs and risks and/or deter the industry from committing to projects., while too relaxed timelines could incentivise speculative bidding. Governments should also set clear project milestones, and work to reduce those under their control. For example, time between bidding and award announcement should be shortening to de-risk projects and ensure deliverability.

- Timelines should reflect project maturity at the time of bidding, considering market conditions, government pre-development efforts, and permit requirements.
- They should also reflect expected shortages in the supply chain, delays in grid connection, or other factors known at the time of the tender at country but also regional level.

Penalties are useful to encourage to submit realistic and achievable project proposals, but they should be carefully calibrated not limit competition and innovation, and not increase project's costs.

- They should **differentiate between delays dependent on project developers and those stemming from external factors** (worldwide pandemic and geopolitical instability leading to inflation, cost of raw materials, interest rate increases).
- **The distribution of penalties across project phases**, e.g. between award and Final Investment Decision, can help spread risks and incentivize timely progression. And they should consider that different project phases entail different associated risks. For example, in Denmark penalties are based on the length of the delay for each phase (e.g., start of construction, or COD – Commercial Operation Date), which could even end up in the termination of the project (e.g. for more than 36 months – for construction, or 48 months – for COD, of delays).
- Additionally, the consideration of **non-financial penalties, such as rewards for timely delivery**, may further incentivise adherence to project timelines. And help with contracting loans from the bank for the smaller actors. Governments could also consider reducing the duration of financial support (2-sided CfD) in case of delays – e.g. UK and Polish approaches – where CfD duration is shortened, or public support returned. A combination of penalties and reduced support is used in France (€10,000/day – for the first 12 months, rising to €50,000/day thereafter and CfD reduced by the number of days of delays), which can work well in order to maintain financial penalties low.
- Article 25 on public procurement set a limit of penalties to 10% of the project. Penalties for auctions should also not go beyond this threshold.

Offering 2-sided Contract for Difference (CfD) and enabling corporate Power Purchase Agreements (PPAs) creates healthy financing conditions for developers to enter into contractual agreements with supply chain players and speed up financial and consequent deployment. This ensures full and timely project completion of wind energy projects.

As there are several years between the submission of the bid and the actual installation, fluctuations in commodity prices may occur. **The strike price of the 2-sided CfD must be subject to indexation and accommodate for inflation or changes in raw material prices prior to installation.** The French Offshore auctions are a good example of indexation as it differentiates between different factors.

g. Responsible business conduct:

For this section, please also refer to the position paper dedicated to Responsible Code of Business Conduct.

Responsible Business Conduct should be applied as a pre-qualification criterion for auctions. It is critical to raise the bar for sustainable wind energy development.

The OECD Due Diligence Guidance for Responsible Business should be the guiding framework as it offers comprehensive guidelines and actionable steps that align closely with the objectives of the Net Zero Industry Act, promoting sustainable and ethical practices across the supply chain.

The OECD principles are already at the core of the Dutch International Responsible Business Conduct (IRBC). The OECD Due Diligence Guidance for Responsible Business Conduct framework stands out as a practical and hands-on example of how companies can effectively follow up on their responsible business conduct commitments.

In the recent Dutch offshore wind auction for Ijmuiden Ver Alpha and Beta, responsible business conduct had been part of the comparative assessment. A separate traffic light score system had been introduced for offshore wind, where companies had to reach an at least 21% score based on the IRBC assessment framework.

It is also important that responsible business conduct builds on established European legislation. This to avoid additional administrative burdens AND to avoid 27 different national interpretations.

- Using the existing reporting requirements under the [Corporate Sustainability Reporting Directive](#) (CSRD) and the various [European Sustainability Reporting Standards](#) (ESRS) is a directly available and measurable way to demonstrate implementation of the six OECD due diligence process steps.
- For companies not in scope of the CSRD the widely adopted standards of the Global Reporting Initiative (GRI) can be used as they are largely interoperable with the ESRS.
- This means making references to the annual CSR reports published by companies. It would provide EU-wide coherence in the application of the prequalification criterion. And avoid duplication of reporting requirements and the associated administrative burden to companies.

Compliance with the appropriate legislation is not a simple yes/no question. Governments should apply these Responsible Business Conduct prequalification criteria with a light qualitative assessment, assessing the rate of compliance and the credibility/robustness of the due diligence processes and policies put in place by companies.