Klima-, Energi- og Forsyningsministeriet

One-pager on three offshore wind tenders

Three offshore wind farms will be tendered in the areas of Nordsøen Midt, Hesselø and Nordsøen Syd, with a total minimum capacity of 2.8 GW.

The three offshore wind farms will be tendered with a subsidy scheme, that guarantees the concessionaire a fixed price per kilowatt hour for the electricity produced by the projects. The support scheme is constructed in a way, that incentivizes the concessionaire to act on the electricity markets in a socioeconomically efficient manner.

Nordsøen Midt and Hesselø are tendered with deadline for bid submission in the spring of 2026. Nordsøen Syd is tendered with a deadline for bid submission in the fall of 2028.

To mitigate possible supply chain challenges, the offshore wind farms are tendered with an increased level of flexibility, through a relaxed penalty scheme.

Furthermore, the state will cover a number of costs directly, which were previously covered by the concessionaire. To increase competition and the number of potential bidders, no financial eligibility requirements are imposed.

The bidders will have an option for the so-called free *overplanting* in the tendered areas in the North Sea. For Hesselø there will be a 1.2 GW-cap on the total capacity. Free overplanting means that the concessionaire will have full freedom to maximize the utilization of the seabed by establishing more offshore wind production capacity than the required minimum.

Key figures related to the tenders

- The three offshore wind farms are tendered with a two-way, capability-based contract for difference (CfD). With this subsidy scheme, the state will guarantee the concessionaire a fixed price per kilowatt hour for the electricity produced by the offshore wind farm in question. This reduces the concessionaire’s exposure to electricity price variations. As such, the subsidy scheme reduces risk for the concessionaire, which has been requested by the market.
- A *capability-based* Contract for Difference (CfD) is different from a traditional production based CfD, as the subsidy level is determined based on potential electricity production (capability), as opposed to realized electricity production. Settlement based on capability mitigates electricity market distortions.
- The minimum capacity of the first to offshore wind farms, Nordsøen Midt and Hesselø, has to be commissioned by 2032.
- The minimum capacity of the last offshore wind farm, Nordsøen Syd, has to be commissioned by 2034.
- The projects are tendered with a penalty scheme, where the penalties for potential delays in the first two years are relatively small, and where the penalty level is similar to that of the Netherlands

and Belgium. The penalty scheme is introduced to ensure increased flexibility around commissioning, as requested by the market.

- The state will cover a number of costs directly, which were previously covered by the concessionaire. This includes costs related to mitigation measures for the Danish Defense, as well as pre-investigation of the tendered areas carried out by Energinet. Furthermore, no financial eligibility requirements are imposed, in order to increase competition and the number of potential bidders.
- The projects are tendered with a number of requirements for participating in the tenders, in order to increase the standard for sustainability and social responsibility.
- In accordance with the Act on Strengthened Preparedness in the Energy Sector, there are also requirements for resilience and preparedness, including risk assessment of suppliers and requirements that remote control of offshore wind farms must be conducted in a secure manner.

Financing

The total subsidy requirement for the three offshore wind farms have been estimated to a total DKK 27.6 billion. Financing for the central estimate of the subsidy requirement over the 20-year subsidy-period amounting to DKK 27.6 billion has been found in *Agreement on Tender Frameworks for Three Offshore Wind Farms*.

The three projects are tendered with a cap on the offered subsidies. The subsidy-cap is intended to limit the Danish state's total subsidy payments. The subsidy cap thus reflects the state's total, ultimate willingness to pay for the three tendered offshore wind farms. Furthermore, the subsidy cap can limit budgetary uncertainty related to a two-way CfD. The subsidy cap is not the same as the expected total subsidy payments. The realized subsidy payments will depend on how electricity prices evolve over the 20-year subsidy period. Total realized payments can therefore end up being lower than the subsidy cap.

Key figures related to financing the support scheme

- The total subsidy requirement for the three offshore wind farms have been estimated to a total DKK 27.6 billion.
- The total estimated subsidy requirement of DKK 27.6 billion will be financed with funds from *Grøn Fond*, as well as future fiscal space.
- A subsidy cap of a total of DKK 55.2 billion has been decided. The subsidy cap is equivalent to double the estimated required subsidies.
- The tender material includes a total subsidy cap of DKK 44.2 billion, equivalent to the above amount excluding VAT, which is the maximum payment that the concessionaire can receive.
- There is no cap on possible payments from the concessionaire to the state.
- In addition to subsidy payments, the state will cover costs related to pre-feasibility studies of DKK 731.5 million in 2025 and DKK 25.6 million in 2026. This will be financed by funds from *Grøn Fond*, funds allocated to cover pre-feasibility studies of 6 GW, other reserves, as well as funds from *Fjernvarmepuljen* and *Bygningspuljen*.
- Additionally, the state will cover costs of appr. DKK 1.1 billion related to mitigations measures for the Danish Defense. The measures are necessary for ensuring the continued surveillance of Danish territorial waters, and will be financed by the Danish Ministry of Defense.