



One-pager on Contract for Difference (CfD)

The three offshore wind farms are subsidized with a so called 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 projects. 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.

Tender award

The price that the concessionaire will receive (the strike price) will be determined through the tenders, where the bidders will compete to offer the lowest bid-price, as the only parameter. The bidder offering the lowest strike price per kilowatt hour, and as such the lowest expected level of subsidy payments, will win the tender.

The state will on an on-going basis, over a 20-year period pay the concessionaire a subsidy equivalent to the difference between the strike price, and the electricity price, when the electricity price is less than the strike price. When the electricity price is higher than the strike price, the concessionaire will pay the difference to the state.

Capability based CfD

With a capability-based Contract for Difference (CfD) subsidy payments are determined based on the level of *potential* electricity production (capability) given the wind conditions, as opposed to the realized electricity production from the offshore wind farm in question. In this way, the subsidized amount reflects whether or not it is possible to produce electricity under the wind conditions that ultimately materialize. Compared to a traditional production based CfD, settlements based on capability mitigate electricity market distortions.