

Key questions for German and European Offshore tender designs

Short presentation Strommarkttreffen

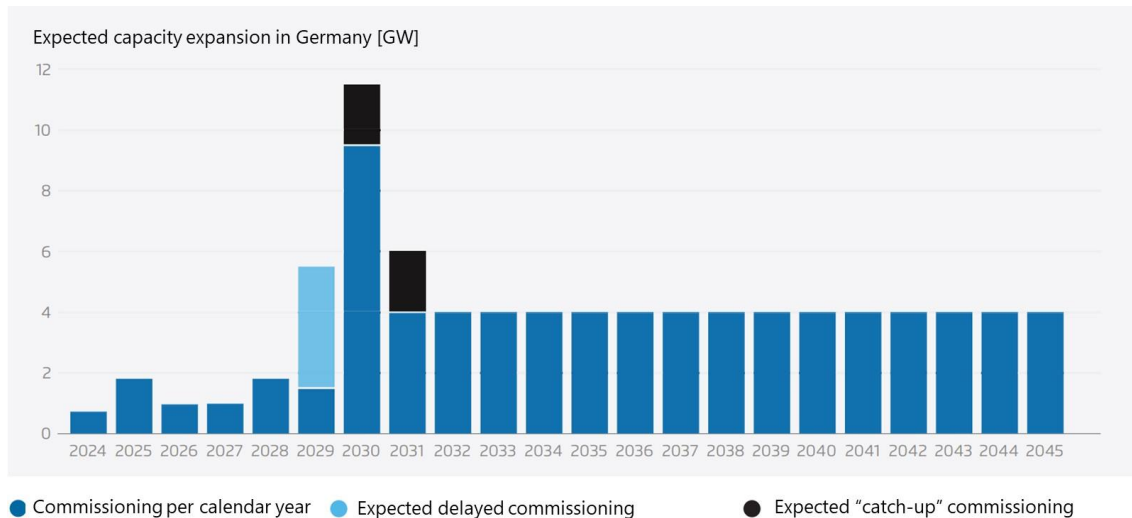
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Leonie Janisch

Berlin

Ambitious expansion parts contrasted by a changing market situation

2030 targets are approaching fast



Source: NERA for Agora Energiewende (2024) based on data by BNetzA, Deutsche Windguard, Vorentwurf des FEP (2024), WindSeeG (2023)

- Offshore wind expansion to peak across (mature) European markets approximately by 2030
- Efforts to provide expansion plans, accelerate permitting, ensure project development and competitive tenders

Market developments lead to renewed focus on tender design



Still negative bids submitted in DE and NL, but more moderate bidding overall

Some tenders (e.g. DK and EE) with limited interest



Project stops/ delays across markets, tender and subsidy regimes reflecting changing market situation, investment strategies, bid strategies ...



Changing bidder field, preferences and strategies (e.g. multiple large bidders decreased their investments)



Delayed tender rules and/or revisions of tender designs in new and mature markets (e.g. DK, UK)



Variety of tender regimes across Europe, little standardisation in tender design and approaches

Growing number of tendering countries

Renewed focus on subsidies due to calls for project de-risking and concerns regarding project realisation



Market signals need for subsidies

- **Previous trend** to negative bidding and decreasing subsidies in mature markets seems **reversed**
 - DK 2024 tender and UK 2023 tender as “wake up calls”
- **De-risking** via subsidies discussed intensively due to
 - i. changing (macroeconomic) market environment (capex, opex, financing cost); and
 - ii. (market specific) electricity price and overall electricity market uncertainties.
- But **reactions and status of the discussion vary** across countries
 - DK is currently revising tender regime, considering CfDs
 - DE coalition agreement remains vague on offshore wind, emphasising the market-based refinancing of renewables
 - NO is still developing its floating wind subsidy scheme

Design choices also in light of cross-European collaboration on offshore wind

General design

- Choice of subsidy mechanisms narrowed down to **two-sided CfDs (or similar)** by EU provisions (EMD)
 - Discussion about different types of CfDs?
- Offer CfDs for all projects/ capacities?
 - Combination of subsidies and PPAs
- Tender design may still allow “zero”, negative bids and subsidies

Cross-border design aspects

- Efforts for **cross-border cooperation** on offshore wind (hybrid connections, “German” projects in Danish waters...) raise questions regarding **subsidies**
- EU provisions a first step towards a **harmonisation** of subsidy regimes across Europe
- Discussion about “cross-border” CfDs and potential design elements/ need for further harmonisation

"Qualitative" tender criteria are becoming more important also due to EU provisions



Aim: Tender to contribute to other policy goals and the mitigation of externalities of offshore wind expansion

Key design questions

- 1 What is the (policy) aim of the qualitative criterion?
- 2 How to operationalise the criterion effectively? (Degree of quantification, measurability, ...)
- 3 Where to integrate a criterion in the tender design? (pre-qualification vs award vs separate approach)

Challenges:

- Trade-offs (e.g. legal certainty vs. competition for ideas/ effective contribution to policy goals)
- Different preferences and priorities of stakeholders

Example: NERA support for UK DESNZ on non-price factors



Aim: Incentivise more sustainable OWF design and the use of local supply chains

Implementation: Clean Industry Bonus (CIB) awarded competitively before the CfD tender (first time: AR7)

- Additional subsidies for fixed and floating OWFs for
 - i. Investments in **shorter supply chains** (e.g. manufacturers, installation firms, ports...), measured as value of investment divided by cost of the CIB proposal
 - ii. Investment in **more sustainable production means** (manufacturing facilities, installation firms), measured as share of suppliers that set science based (sustainability) targets
- Bidders are ranked by their total score and awarded until budget is exhausted
- CIB **minimum standards** to participate in CfD tender

Germany: BNetzA discussion on regionally differentiated network tariffs for generators can have implications for tenders adding complexity



BNetzA published discussion paper on future framework for network tariffs on 12th May 2025

- Kicks-off discussion on principles of **grid cost distribution**, shifting focus also to **electricity generators**
- Proposes **regional differentiation of injection tariffs**

Potential impact

- Generally, cost increase for offshore wind, e.g. if zonal approach is used where tariffs are higher in zones with surplus injection (low load)
- Incentive to focus OWF development in areas with limited surplus/ a deficit (system benefits)

Example UK

- Zonal approach leads to differentiated tariffs for offshore generation, distinguishing based on injection surplus/ deficit
- Incentivises construction of OWFs in regions with lower injection surplus, which works in UK because
 - OWF development in various sea areas “around” the country creates choice for developers
 - Separate lease auction allows to take expected grid tariffs into account and select sites accordingly (benefit for system), with opportunity to (partially) recover cost in CfD bid

Germany?

- Potentially high risk for offshore wind farms: Under zonal approach OWFs (esp. North Sea) would inject in surplus regions with high injection tariffs
 - Negative bidding component might be accounted as mitigating factor
- Due to lack of a leasing round (developers compete for set sites), lack of options to choose sites with lower grid tariffs

Requires monitoring, also in context of an aspired stronger European cooperation in offshore wind and cross-border projects

Key topics on offshore wind tenders also for the North Sea Summit

Given efforts to collaborate stronger on offshore wind generation and offshore grid across Europe and individual sea basins, stakeholders have to make key decisions on ...



Harmonisation of subsidy regimes and the implications for competition between states for investors



Harmonisation of tender designs e.g. on the use of qualitative criteria and what degree of regulatory variation (and room for “creativity”) is considered beneficial



Implications of the new discussion on grid injection fees in Germany for cross-border OWF and grid projects



Contact Us

Leonie Janisch

Consultant

Berlin: +49 (30) 700 150 633

leonie.janisch@nera.com

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