

Nordenergi calls for further action to increase deployment of offshore wind in order to reach the EU 2040 climate target

Key messages

- Harmonized auction schemes for offshore wind that enhances necessary innovation, scale, and cost-reduction,
- Improved design of national tenders, in particular qualitative criteria, and non-price award criteria,
- Faster permitting,
- Better grid planning and accelerated development of cross-border infrastructure projects,
- Long-term predictability for the offshore wind pipeline,
- Auction design adjusted large scale floating offshore wind

Background

Nordenergi calls for a 90 % European climate target in 2040¹. We see offshore wind as a key technology to achieve the target, and we support the ambitious GW goal in the EU and the North Sea. Nordenergi would like to emphasize that a 90 % emissions reduction target for 2040 makes it necessary to increase the European level of deployment of renewable and other clean electricity significantly.

On the 20th of November 2023, North Sea Energy Cooperation (NSEC) ministers met in The Hague, welcoming and aiming to actively engage on the European Commission's Wind Power Package. In that context, Nordenergi also calls for further swift action to increase deployment of onshore, but particularly offshore wind in the Nordics and around the Baltic and North-Sea basins, including improved and harmonised auction design, faster permitting, better grid planning and increased visibility of offshore wind projects pipeline. However, there are also further actions that could be considered and that can support the supply chain (and industry development more in general) like financial guarantees, infrastructure developments etc.

NSEC is a great example of coordination and collaboration needed to unlock the opportunities for offshore wind to contribute as a key technology to EU and Norwegian energy and climate targets. Nordenergi welcomes the Wind Power Package. We consider efficient implementation to be key, and we will actively engage in its implementation. Overall, we support the main elements of the Wind Power Action Plan, but conjecture that further measures, especially regarding floating wind power, will be necessary to underpin the required growth in European wind-based industry. To ensure scaling of floating offshore wind, adjustments of awarding procedures, prequalification, and award criteria, as well as support schemes might be required.

Nordenergi supports the Wind Energy Charter, signed by most EU energy ministers and wind industry 19th of December 2023. Nordenergi urges all EU member states and EEA countries to rapidly implement the actions proposed in the Wind Power Package and actively engage in the drafting of and signing the announced Wind Energy Charter.

The Nordic and Baltic Sea basins have enormous potential. To unlock this potential close cross-border collaboration is needed. As the NSEC countries, including Norway, Sweden, and Denmark, want to build 76 GW offshore wind by 2030, 193 GW by 2040 and 260 GW by 2050, both bottom fixed and floating offshore wind technology must be deployed at a large scale, and at a rapid pace. Nordenergi calls for a harmonized auction scheme that enhances necessary innovation, scale, and cost-reduction.

Nordenergi focus on four action areas to address key challenges for offshore wind

Europe is not performing in building enough wind power to reach our ambitious goals, and it is crucial that the European wind supply chain is strengthened to become sustainable, resilient, and competitive to continue to play a key role in the green transition. The wind industry is facing major difficulties, and the situation calls for immediate action. Nordenergi strongly supports the European wind industry and would like to emphasize action in four areas:

Action 1: Improved design of national tenders

There is an urgent need for investments in Europe's wind energy supply chain to scale up the domestic production capacity for new wind turbines. The introduction of qualitative criteria has the potential to underpin development of more sustainable projects, development of better standards and systems for co-existence and improve energy system integration and foster innovations.

Adequate prequalification criteria, combined with non-price award criteria in auctions, can play to the strengths of European supply chains and guide them in developing products and services even better fitted for the large-scale offshore wind deployment ahead of us.

When scaling up bottom fixed and especially floating offshore wind, there might be some legitimate differences between countries regarding which criteria they want to apply in their processes. But in a longer perspective, the use of criteria should be harmonized across Europe.

Nordenergi supports the utilization of pre-qualification criteria and qualitative/non-price award criteria:

- Pre-qualification criteria: cybersecurity, good standards for environmental protection, and the ability to deliver on project commitments.
- Non-price criteria: sustainability, innovation, energy system integration and a resilient supply chain.

Overall, the use of criteria should foster good sustainability, innovation, energy system integration and a resilient supply chain. We also emphasize the need for the criteria to be clear, simple, and non-discriminatory. The criteria should not lead to creation of vast amounts of additional administrative burden for companies. Transition to the use of non-price criteria should be implemented so that there is as little delay as possible in project development. Nordenergi call for well-designed auctions that is crucial to develop European supply chains.

About floating offshore wind:

Nordenergi emphasizes that it is important to move towards a harmonised, objective, transparent and non-discriminatory framework for offshore wind in Europe. We endorse the European Commission Wind Power Action Plan, but we ask for more attention on developing large scale floating wind to complement the deployment of bottom fixed offshore wind. Floating wind is a technology of strategic importance to the EU, and it is crucial to increase scale and volume to drive down costs. Nordenergi sees it as important that the application of State aid rules, as well as future guidance, recommendations, and implementing acts, addresses these challenges to enable successful development of immature floating technology.

We believe that large scale floating offshore wind needs an auction design that provides appropriate project ripening and risk reduction, which is key at this stage of technology development, to make ground for large scale floating offshore wind to start making headway in building European value

chains. It is important to mitigate the implications of high uncertainty for cost estimation and bidding, given the relative immaturity of floating wind and will indeed help reduce costs.

Action 2: Faster permitting

Slow and complex permitting is one of the main reasons behind the difficulties of the EU wind industry. Procedures must be simple, efficient, more digital, and transparent. The revised Renewable Energy Directive and the Emergency regulation on permitting is pulling in the right direction. Nordenergi endorses these measures and calls for fast implementation of the permitting measures. Nordenergi also wants to emphasize the need for democratic control and environmental good solutions. Digitalisation of national permitting processes is a key component to simplify and speed up processes. Nordenergi are also looking forward to the launch of a dedicated online tool to support the Member States in digital permitting by the end of 2023.

Action 3: Better grid planning - Next steps towards an integrated, meshed offshore grid

The development targets of the EU, Norway, and UK for offshore wind in the North Sea are so large that over time it is imperative to integrate these in a meshed DC grid. Such a grid will enable a socio-economically optimal utilisation of offshore wind resources, save scarce seabed space, reduce environmental impact, and ultimately drive down costs. The grid development will happen in stages and requires flexibility and forward-looking network solutions that can be linked together in the long term. Technological development that makes this possible is crucial.

Nordenergi calls for accelerated development of cross-border infrastructure projects. We call for a regulatory framework for offshore wind hybrids. Such hybrids have the potential to save cost and reduce environmental impacts from the total energy infrastructure. Nordenergi support the measures signaled in the upcoming EU Action Plan on Grids, to be published on 29 November, aiming to accelerate key cross-border grid projects, addressing bottlenecks hampering grid reinforcement and expansion, including cross-border cost sharing. We would also like to underline the importance of the Offshore Network Development Plan expected in January 2024, that will be part of the ENTSO-E Ten Year Network Development Plan.

All countries along the relevant sea basins should actively engage in developing a market design and regulation of offshore grids that will ensure the timely roll-out of both infrastructure and production. Independently of the detailed market design, it is imperative that investments in grids and production in hybrid connections are considered jointly and that the regulation incentivises both investments. Key topics regarding the distribution of congestion revenue that need to be assessed and addressed, include transmission access guarantees and revenue stabilisation mechanisms like contracts for difference.

Action 4: Long-term predictability for the offshore wind pipeline

Insufficient and uncertain demand for wind turbines is causing difficulties in planning production and investment. The European wind industry must scale up and invest now. To achieve this, it is crucial that the industry can see a predictable, long term and solid project pipeline. To this end it is crucial that Member States and EFTA countries provide visibility on auctioned volumes. Establishing an EU digital platform on which Member States' auctions planning will be published, is a crucial step in the right direction.

Nordenergi also supports that EU member states elaborate concrete offshore wind deployment pledges for 2024-2026, reinforcing regional cooperation to better coordinate planning and to put

forward 10-year plans for wind deployment with 2040 outlook as part of the revised 2030 National Energy & Climate Plans.

To scale up the level of European manufacturing sufficiently, Nordenergi calls for more forward leaning measures, as indicated above. Nordenergi wants NSEC to lead as a great example by driving coordinated grid and infrastructure planning, providing transparency in planned offshore wind auctions and the initiative to coordinate tendering of around 15 GW pr. year, reaching 100 GW by 2030. Nordenergi urge for more collaboration across Europe.

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Nordenergi is the joint-collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Swedenergy, Finnish Energy, Renewables Norway, Samorka, and Green Power Denmark. Overall, Nordenergi represents more than 2,600 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas, and services.