

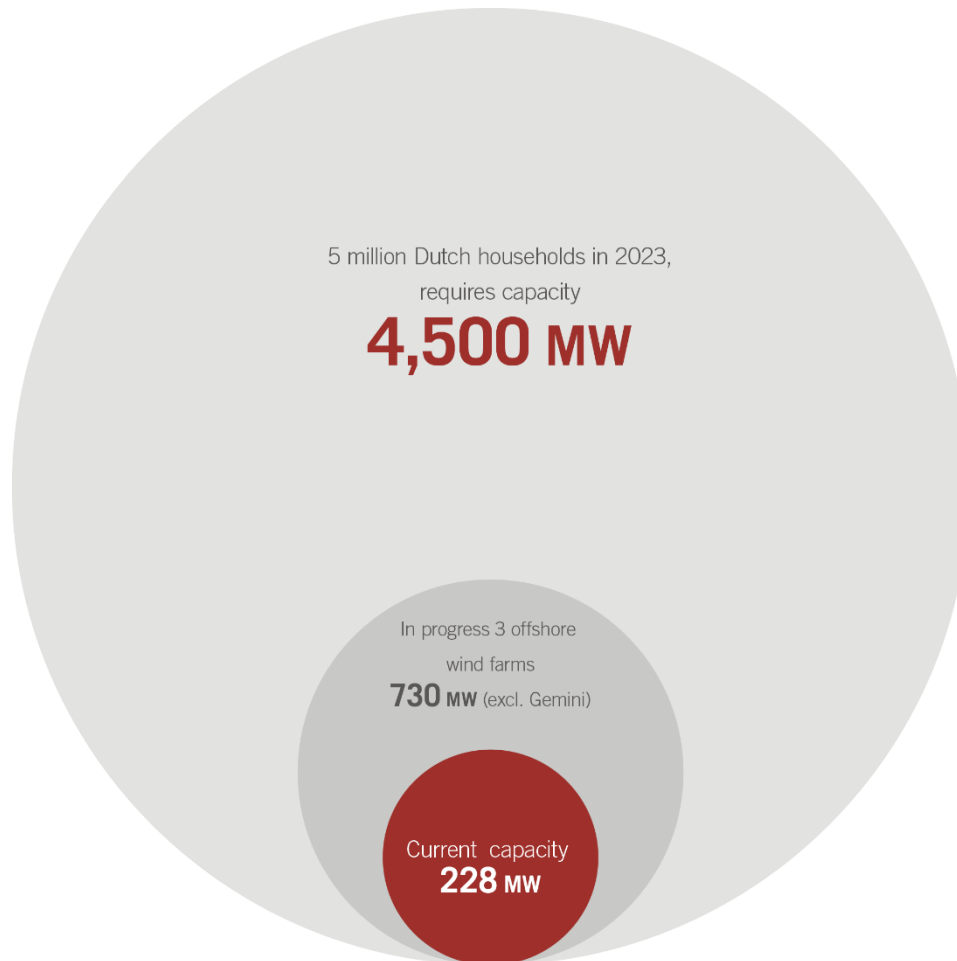
# Subsidies Dutch offshore wind parks

## How low can you go?

Energy Law Group | 22 September 2017, Warsaw



## Developments in offshore wind energy



### The Netherlands are lagging behind in terms of renewable target

Target 2020: 14 percent, currently we are closer to 6 percent...

### May 2017: Grand opening Gemini wind farm

Largest Dutch offshore wind farm (600 MW) and largest project finance (2.8 billion euro)

### 3 offshore wind farms already were in operation

- Wind farm Egmond aan Zee, 6 NM from Egmond aan Zee, 108 MW
- Wind farm Prinses Amalia, 12 NM from IJmuiden, 120 MW
- Wind farm Luchterduinen, 12 NM from Noordwijk, 129 MW

### More to come in offshore wind

- Target: 3,450 MW newly installed capacity in 2023
- Max. 18 billion euro available in subsidies minus grid connection costs TenneT (approx. 4 billion euro)
- Two tender rounds (700 MW each) have been finalized, three to go
  - won by DONG and Shell/Eneco/Van Oord/Mitsubishi-DGE
  - next tender: December 2017
- TenneT to arrange connection to the grid
- Feasibility studies pending near shore projects

### Total increase to total of on- and offshore wind energy to 10,000 MW in 2023

- 11 locations identified for onshore increase to 6,000 MW in 2020
- Political debate: do we need it?

## Dutch offshore wind tenders



The wind farm should be commissioned within 5 years after the subsidy is granted or 5 years after the Wind Farm Site Decision is irrevocable

Next tender: Hollandse kust Zuid – December 2017 (700MW)

Year	Power	Wind Farm Zone
2015	700 MW	Borssele Wind Farm Zone, Wind Farm Site I and II (won by DONG)
2016	700 MW	Borssele Wind Farm Zone, Wind Farm Site III and IV (won by Shell/Eneco/Van Oord/Mitsubishi-DGE)
2017	<b>700 MW</b>	<b>Hollandse Kust ZH Wind Farm Zone</b>
2018	700 MW	Hollandse Kust ZH Wind Farm Zone
2019	700 MW	Hollandse Kust NH Wind Farm Zone

# The subsidy scheme: the original plan....

## Tender for subsidies

- Price only: lowest requested (max.) subsidy amount per kWh wins
- No room for including other elements (e.g. price adjustments) in bid
- No feed-in tariff, nor Contract for Difference. Government pays subsidy depending on general market price

## Subsidy

- Subsidy period: 15 years from start of operational phase
- Basis subsidy: amount per kWh determined as (a) the requested subsidy amount minus (b) market electricity price, with cap and floor
- Subsidy amount per kWh is reset annually, depending on (i) market electricity price and (ii) value of certificates of origin
- Maximum number of kWh for which subsidy may be obtained applies: depends on capacity wind farm and projected full load hours (wind projections based on amount of wind likely to occur >50% of the time)
  - production not achieved but eligible for a subsidy, may be included in future years (*banking*)
- In addition, maximum amount for overall subsidy is 2.5 billion euro per wind farm site

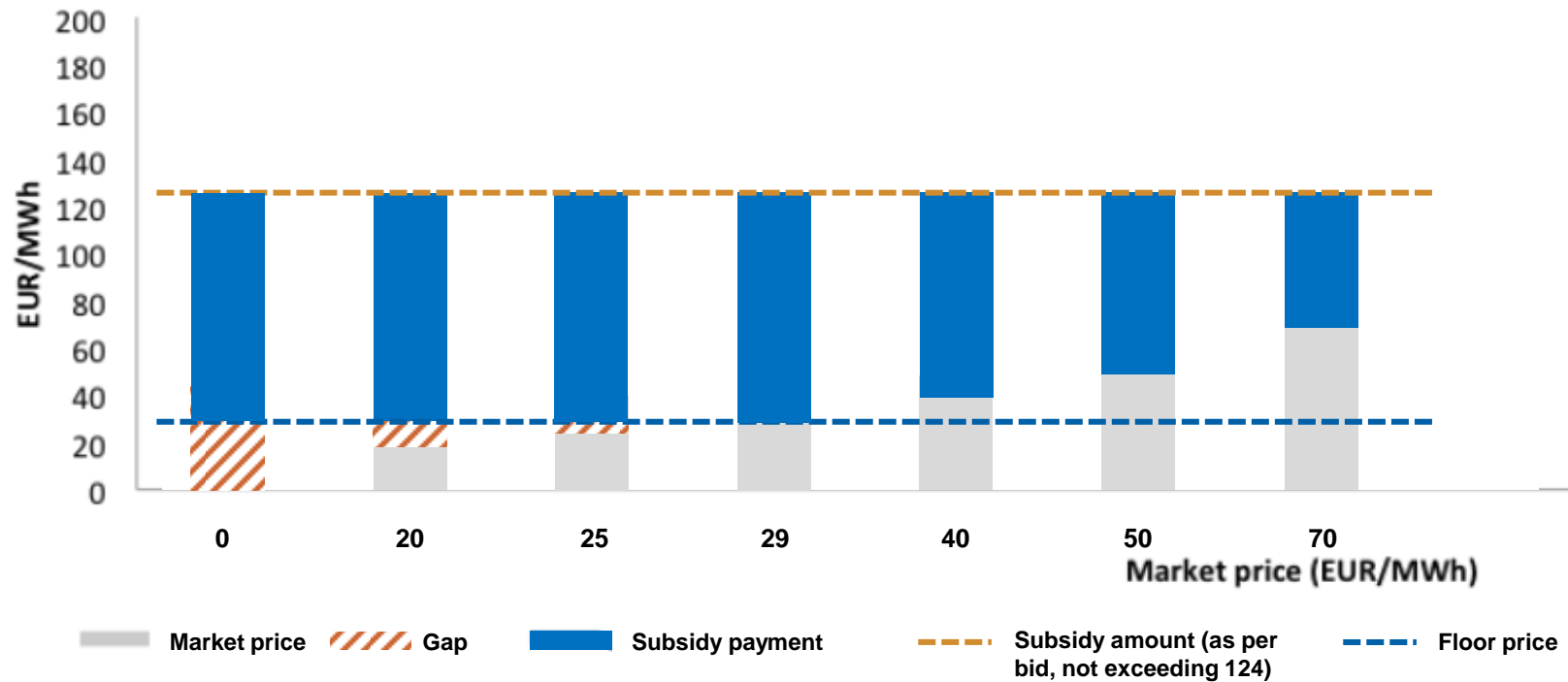
## Link between permit and subsidy

- permit would be only be granted to party who wins the tender for the subsidy

## Eligibility requirements

- Applicants will have to prove:
  - financial feasibility
  - technical feasibility
  - economic feasibility
  - ability to start with the construction of the wind farm within 4 years
- How detailed should the application be?
- How strong should the commitments of providers of finance be at tender stage?
- Companies can submit a single application covering both sites and one separate application for each individual site (three in total)

## How did the original plan for the subsidy scheme work? (example first tender)



## The results....

Year	Power	Wind Farm Zone	Price cap (eurocent/kWh)	Winning bid (eurocent/kWh)
2015	700 MW	<i>Borssele Wind Farm Zone, Wind Farm Site I and II (won by DONG)</i>	12.400	7.270
2016	700 MW	<i>Borssele Wind Farm Zone, Wind Farm Site III and IV (won by Shell/Eneco/Van Oord/Mitsubishi-DGE)</i>	11.975	5.449
2017	<b>700 MW</b>	<b>Hollandse Kust ZH Wind Farm Zone</b>	<b>10.750</b>	---
2018	700 MW	Hollandse Kust ZH Wind Farm Zone	10.320	---
2019	700 MW	Hollandse Kust NH Wind Farm Zone	10.000	---

## The consequence: no subsidy intended for new tenders!

### Tender for third round Hollandse Kust (Zuid) Wind Farm Zone (December 2017)

- Market parties may submit a bid for the realisation of the wind farm without subsidies
- In the event this tender procedure fails to yield an acceptable bid, a tender procedure including subsidies will be initiated
- Responses to the proposed ranking criteria to be submitted by noon today!

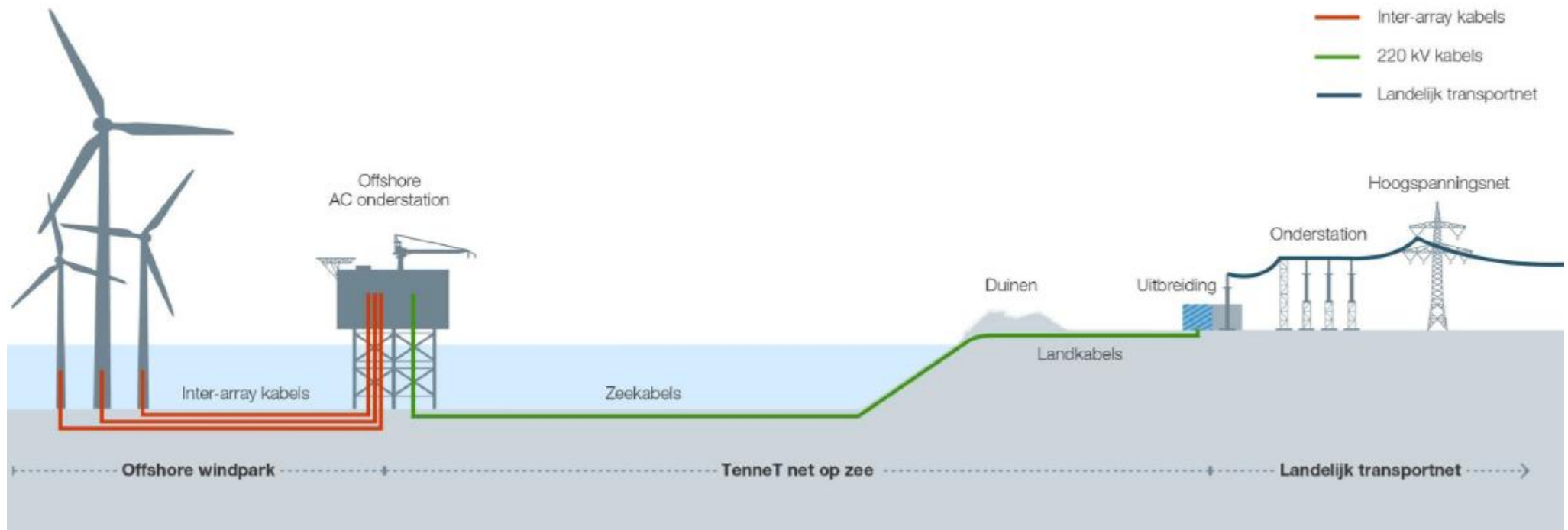
### Draft ranking criteria

- The knowledge and experience of the parties involved (maximum: 10 points)
- The quality of the design for the wind farm (10)
- The capacity of the wind farm (10)
- The social costs (i.e. efficiency, 10)
- The quality of identification and analysis of the risks (20)
- The quality of the measures to safeguard cost-effectiveness (40)

### Questions?

- Will market parties be interested in a wind park without subsidy?
- Will the new – more subjective – ranking criteria lead to legal debate?

## Grid connection by TenneT (TSO)





# Grid connection by TenneT

## Offshore transmission system

- Dutch TSO - TenneT to arrange connection to the grid (appointed as offshore transmission system operator)
- Agreements to be concluded between TenneT and operator, based on templated:
  - realisation agreement
  - connection and transmission agreement

## Compensation for grid failures or delayed grid connection

- Compensation to be paid by Dutch TSO (TenneT) and recovered through tariffs (with a EUR 10m deductible in case of wilful misconduct or gross negligence by TenneT)
- Wind farm operator has a duty to minimize damages if possible and is only entitled to compensation for delayed connection if foundations have been constructed and it can prove wind farm was ready for use
- Compensation for consequential damages and loss /delay in income:
  - Consequential damages are based on actual (proven) damages, but do not include financing costs
  - Compensation for delayed connection: deferred income from electricity sales and deferred subsidy income (not: missed sale of electricity as such)
  - Unavailability grid: missed sale of electricity and damages from deferred subsidy income; five days in a year for grid maintenance do not count for compensation

## Financing of grid connections

- TenneT's costs are recovered through subsidy (same source as subsidies to wind farms, if any...)
- To the extent not covered through subsidy: included in onshore transmission tariffs
- Costs are subject to ACM (Dutch regulator) review
- No connection fee or transmission tariffs for feeding in are envisaged to apply; however: tariffs/fees for offtake may apply

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