



Trial and triumph during Offshore WIND Conference

Bidding systems will be a topic during Offshore WIND Conference to be held on October 9th and 10th as part of Offshore Energy 2017. It is one of Europe's leading offshore energy events held in Amsterdam, the Netherlands. The theme for Offshore WIND Conference 2017 is 'Leading the way!'



This theme was chosen to show the continuing progress of one of the leading forms of renewable power generation: offshore wind. Offshore WIND Conference will focus on the opportunities for the offshore wind sector over the next ten years and beyond, and asks the questions what the upcoming tenders offered the supply chain will be short term; and what will be the trends and opportunities after 2023?

Subtopics to be tackled will include cost reduction, innovations, subsidy and cooperation with the oil and gas industries.

During the Offshore WIND Conference, more than 15 expert speakers from companies such as DONG, Siemens Gamesa, Van Oord, TNO Energy, Bladt Industries and the Dutch Government along with over 250 industry professionals will discuss short and long-term issues in the industry. Both days plenary sessions will be alternated with networking opportunities.

Offshore Energy 2017

The Offshore WIND Conference is held as part of Offshore Energy Exhibition & Conference (OEEC). OEEC It is unique in bringing together the oil & gas, offshore wind and marine energy industry. With the industry in transition, OEEC offers offshore energy professionals the ideal meeting place to network, discuss and learn about the future of energy.

Furthermore the Offshore Energy Conference program will focus on all layers of the energy-mix, conventional and renewable, and the transition the industry is in with various Technical Sessions, Industry Panel, Side Events, Master Classes and Community Square. OEEC 2017 will be held at Amsterdam RAI on October 9th, 10th, and 11th 2017.

This celebratory tenth edition of this event is expected to attract over 12,000 offshore professionals and more than 650 exhibiting

companies. Anyone registering for the Offshore WIND Conference receives automatic access to the Offshore Energy Exhibition.

Are we bidding farewell to subsidy?

Last year on the Borssele tender, DONG not only outbid 38 other competitors but also smashed the €100/MWh barrier with their bid of €72.7/MWh. In the race to become subsidy-free, this was a huge step.

The past year has seen the LCOE further decrease with the immense news coming from Germany, where after auction in the transitional period of the German Offshore Wind Act produced a bid of €0.00/KWh. What are the significant differences in bidding systems that have brought about such huge changes?

The Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, or RVO) states that the Dutch Government aids companies as the preliminary works,



such as consents, electrical infrastructure and insight in the physical environment has already been carried out.

The Dutch auction system awards the permit and the grant to develop the wind farm to the company with the lowest bid. According to RVO, the great advantage of this system is the efficient use of space, cost reduction and an acceleration of the deployment of offshore wind energy.

The RVO has a roadmap towards 4,500MW offshore wind power, which will see annual tendering from 2015 to 2019, covering three wind farm zones, it is a precondition that the cost of offshore wind power will decrease by 40 per cent in the coming years.

This included the Borssele tenders and will include the South Holland wind farm zone in 2017-2018 and in 2019 the North Holland wind farm zone. As part of the Dutch tender process, the Dutch Government investigates the physical environment of the wind farm site, such as the soil, wind and water conditions.

This data is made public and provided to commercial parties for this FEED studies and competitive possibilities. The site data includes geological, morph-dynamical and geomorphological data, archaeological and

unexploded ordnance analysis, Met-ocean data, wind resource assessment, and geophysical and geotechnical data based on surveys.

Another unique element of this tender procedure is the relationship with TenneT who will construct five standardized platforms with a capacity of 700MW each within wind farm zones. Each will later be connected to the national grid. This means there is no need for an OWF platform investment.

A change in the Dutch tender system has been announced by the under resignation Minister of Economic Affairs, Henk Kamp, who has stated subsidy-free bids will be allowed first, before considering other bids in the 'normal' tender procedure.

Transitional regime

In October 2016, the renewable energy law was passed the German Federal Government together with a reform of the EEG 2017, which stands for Erneuerbare-Energien-Gesetz and is otherwise known as the Renewable Energy Sources Act.

This act increases the share of renewable energy by setting certain standards. Firstly, it allows priority access to the grid system for electricity produced from renewable

energy sources. This also includes that this electricity is purchased, transmitted, and distributed with priority.

The final inclusion is an electricity-feed-in tariff produced by smaller renewable power plants that has to be paid by grid operators. The new legislation also introduces a competitive auction system aiming to reduce costs while maintaining the increase of renewable energy.

Bundesnetzagentur selected three offshore wind projects by DONG Energy and one project by EnBW in the first auction for grid connections and funding for existing offshore wind farm projects, which made groundbreaking news when, at least one of the developers, offered the lowest price bid of 0.00 Euro cents per kilowatt-hour.

The agency selected four offshore wind projects with a combined capacity of 1,490MW, including EnBW's 900MW He Dreiht, and DONG's Borkum Riffgrund II West, Gode Wind 3, and OWP West offshore wind farm. The average award price was €0.44 per kWh, and the highest price accepted was €0.6 per kWh. All four projects are in the North Sea.

The results reflect the very high intensity of competition in this auction round: bids are eligible in the two rounds in 2017 and 2018



from projects in the North and Baltic Seas comprising a total volume of around 6,000MW to 7,000MW, with the volume for auction in both rounds amounting to 3,100MW.

Moreover, investments have already been made into developing the projects, and so the question now facing the investors is how to factor these investments into their calculations. In addition, the project developers can expect further significant reductions in costs to be achieved before the wind farms are put into operation between 2021 and 2025.

Successful projects are entitled to not only funding under the Renewable Energy Sources Act, but also to grid connection – financed through the network charges by the electricity consumers – and the possibility to operate the wind farms for 25 years. This, too, involves a considerable amount of funding.

The second auction for existing offshore wind farm projects will take place on April 1st 2018. The volume up for auction will again be 1,550MW and the 60MW not awarded in the first auction.

The total volume available in the second auction will therefore be 1,610 MW. This includes a minimum of 500MW to be

awarded as required by the Offshore Wind Energy Act for offshore wind farms in the Baltic Sea. Bids can be placed in the second auction again for projects that were not awarded funding in the first auction.

Not wanting to be outbid

There has been some discussion among concerned parties in the Netherlands' neighbour, Belgium. OffshoreWIND.biz reported that the Belgian Secretary for the North Sea, Philippe De Backer, proposed revoking concessions already granted for three offshore wind projects, the 246MW Seastar and the 300MW Mermaid, awarded to Otary, and the 224MW Northwester II, awarded to the consortium of Colryut, TTR energy, InControl, and Wagram Invest.

The Belgian Offshore Cluster (BOC) opposed De Backer's intended preference for the three projects in question to be put out to tender and awarded to developers with lowest bids instead and has urged the government not to react impulsively.

The BOC said that by doing so De Backer is undermining a highly promising, innovative young Belgian industry. 'Secretary of State Philippe de Backer's intention to cancel the concessions for future wind farms now threatens to destroy this domestic market

completely, with all of the consequences this will have for the Belgian offshore industry,' BOC said. 'The Secretary of State believes that he will derive a benefit by creating a 'blank slate' of the promised concessions, but that is very doubtful.

Such a decision will result in a 'standstill' period – just at the time that there literally needs to be an acceleration in terms of energy transition. Switching to a European tendering procedure will also mean a great deal of time being lost.'

The BOC added that if the cancellation the concessions goes ahead Belgium would risk missing the 2020 renewable energy targets, which could potentially lead to significant fines and penalties from Europe, commenting that a European tendering procedure would lead to a reduction of domestic content in the development and operation of wind farms.

'BOC is afraid that if the future concessions are cancelled, 80 per cent of the economic benefit for our country will disappear – not to mention the threatened loss of job creation. The government's contract cancellation is also likely to result in long, drawn-out legal proceedings and claims for compensation, which would be of no benefit to the Belgian economy.'