

Offshore Renewable Industry Declaration

to the North Sea Summit of 24 April 2023

1 Europe's offshore renewables industry **welcomes the commitments** made by Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands, Norway and the UK on the North Sea energy and industrial potential at the Oostende Summit of 24 April 2023. We will do everything we can to support them and work to ensure that the economically viable expansion of offshore wind and renewable hydrogen in Europe is made in Europe. And to develop a renewable offshore energy system based on the optimal combination of electrification and renewable hydrogen to accelerate system integration, and deliver on our 2030 and 2050 targets delivering optimal European welfare.

2 We are a **long value chain** of wind farm developers and investors, wind turbine, electrolyser, foundation and other component manufacturers, EPC contractors, vessel operators, ports, Transmission System Operators and those who provide the equipment for grid infrastructure. All of these are essential to building, operating and integrating offshore wind in our energy system.

3 **Our industry is not large enough today** to deliver the 9 Governments' commitments and meet the rising demand for renewable electricity and renewable hydrogen, not least from energy intensive industry. It needs to grow. We can make up to 7 GW a year of offshore wind today. By the second half of this decade we need to be making over 20 GW a year. We can deliver - we have so far - but there are already bottlenecks in the manufacturing of foundations, cables, substations, key equipment like transformers and switchgear and in the availability of installation, service and other vessels.

4 **Major new investments are needed in manufacturing capacity and key infrastructure such as grids and ports.** Many companies in the value chain are challenged by major increases in their input costs. The structural response to this is to translate Government targets into clear market volumes via well timed and designed auctions and openness to other transparent developments. To kick start investments where supply chain bottlenecks are most acute, public support - including financial support - is needed.

5 We call on Governments to support investments in Europe's renewables and grids value chains including by using the flexibility provided by the EU Green Deal Industrial Plan and implementing **ambitious industrial policies**. We recognize that the expansion and modernization of Europe's grids, and concrete measures to drive the electrification of transport, buildings and industry will be crucial if we are to deliver on our climate related commitments.

6 We call on the EU to supplement this with its own financial support using unspent resources via e.g. the Sovereignty and Innovation Funds. The EU should avoid linking this to only technology breakthroughs. Expanding the offshore wind value chain is **primarily a volume challenge**.

7 We welcome the proposal in the EU Net Zero Industry Act (NZIA) on the use of **non-price criteria in auctions**. This shift from cost to value will reward investments we make in e.g. system integration, circularity and biodiversity protection. Criteria should also include cybersecurity, ESG, due diligence, and recognising European value creation while maintaining industrial competitiveness. The NZIA should also simplify the EU public procurement rules to accelerate infrastructure build-out.

8 Clear investment signals and plug-in ready grids are key to unlock the huge volume of investments needed. It is very worrying that not a single investment decision was taken in any offshore wind farm in Europe in 2022. Investments are delayed because: (a) input costs have increased significantly, by up to 40% in the last 2 years, and become much more volatile, but the revenues of developers don't cover this fully; and (b) national interventions in some electricity markets have further increased developers' costs, driven up financing costs, and deterred investors. The EU must **restore investment signals** with its Electricity Market Reform and end revenue caps as planned in June 2023.

9 Auction design is central to investment signals. Governments should support appropriate use of **2-sided CfDs and PPAs** which have both proved an effective model for underpinning offshore wind investments. CfDs are cheap for Governments and minimise finance costs. Auction prices must also be fully indexed to cover inflation in costs (e.g. transport and commodities such as steel). And Governments should remove all barriers to PPAs to help decarbonize industry. We call on Governments to resist the temptation to use uncapped negative bidding which come with very high upfront costs - which developers have to pass on to consumers and/or the supply chain.

10 We call on Governments to **support the development of the skills base** needed for the expansion of offshore wind. The offshore wind workforce needs to grow from 80,000 today to 250,000 by 2030, but we already struggle to recruit. Taking policy steps that ensure the financial viability of the industry will help make it attractive to newcomers.



The North Sea Summit

Ostend, 24th of April 2023