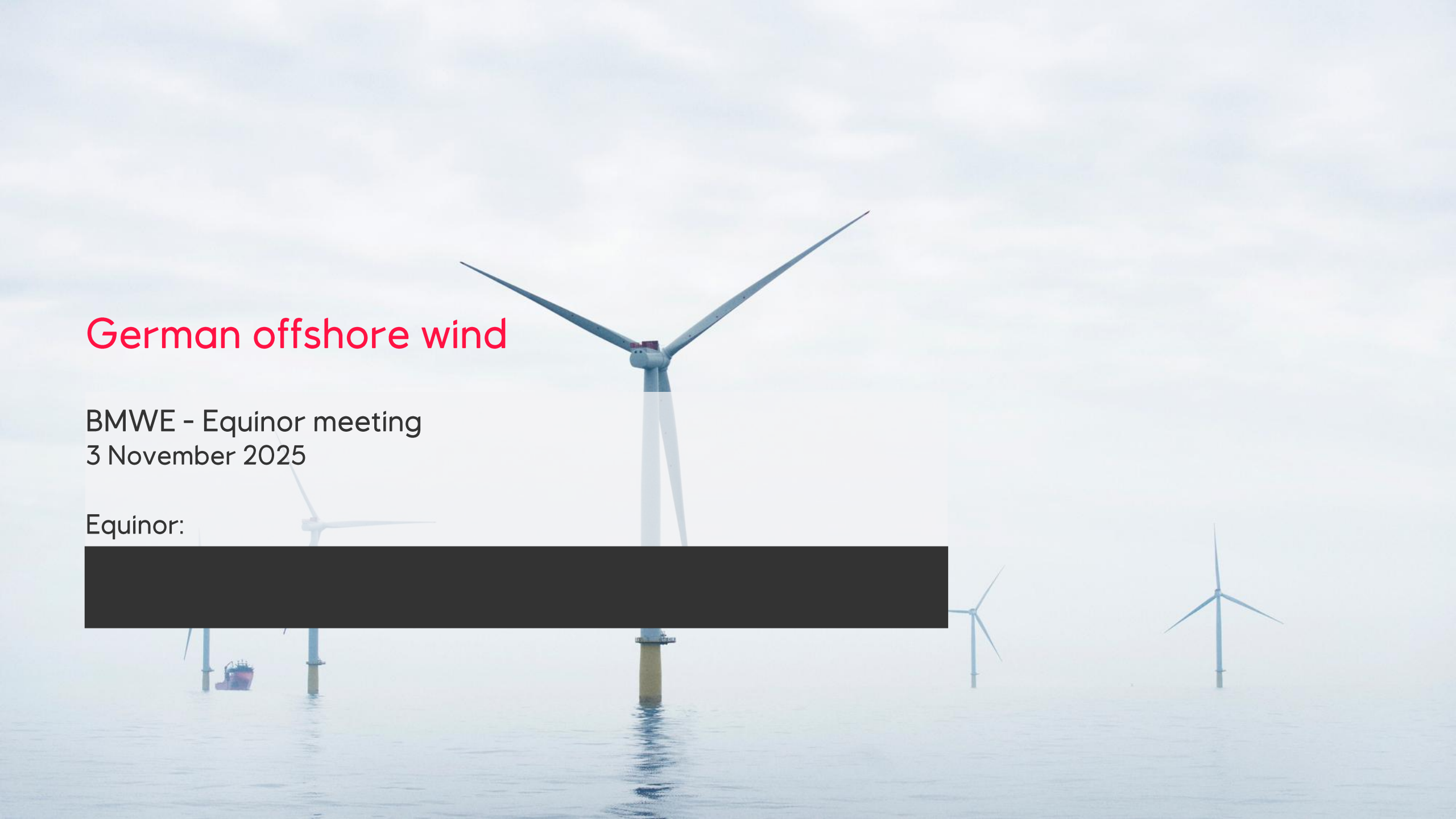

German offshore wind

BMWE - Equinor meeting
3 November 2025

Equinor:

[redacted]

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1. Equinor and German OW tender experience

2. German OW bid preparation – timeline and what it takes to prepare

3. Introduction of CfD and CfD design

- **Supporting introduction of CfD.** Risks for merchant / PPA based offtake too high in current environment. CfD as best derisking tool

- **No new tender without CfD** to avoid failed tenders, or tenders with very little competition, and eventually project cancellation post-award

- **CfD should be designed in consistent way with view to derisk offtake**
  - ***20-year tenor* preferable**: better financing terms and lower strike price
  - ***Indexation*** crucially important to take inflation risk away from projects and developers
  - ***Capability-based*:** Negative pricing hours and curtailment are increasingly concerning to banks, leading to tighter financing terms for offshore wind projects. Because these risks largely stem from power market regulations (e.g., the 1-hour rule versus the 6-hour rule) and are only partially within developers' control, capability-based CfDs should be the preferred solution. In contrast, production-based CfDs force developers and lenders to include risk buffers in their business cases, resulting in higher strike prices and ultimately higher costs for end consumers.
  - Should be ***pure CfD tenders***, no first merchant round or opt-out – power price "bets" would become important element of bid decision and hence increased merchant elements would increase risk of eventual project cancellation

3a) CfDs vs. merchant/PPA in numbers

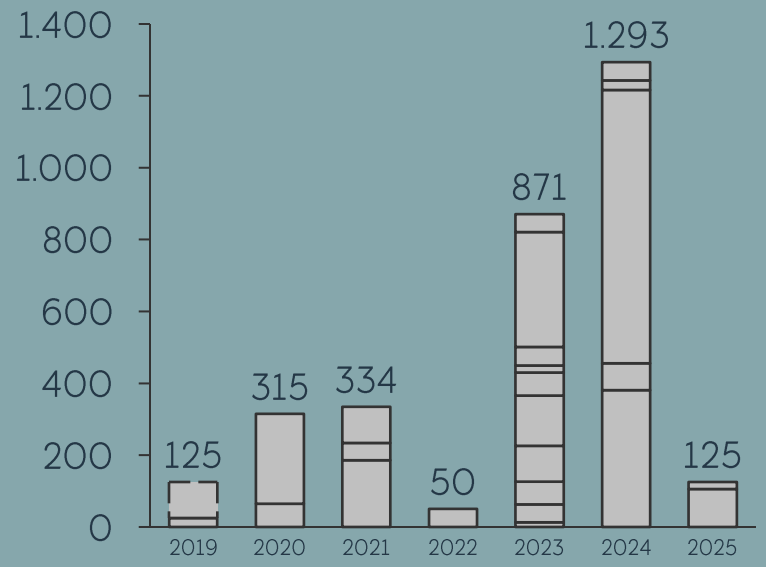
1. With our assumptions, the **introduction of CfDs** could reduce break-even prices by ~30% compared to merchant offtake (no subsidy)
   - *BWO and WindEurope argue that a switch from PPAs to CfDs reduces the LCOE by 30%*
2. Introducing CPI (**Consumer Price Indexation**) allows developers to bid lower as there will be no need for inflation buffers in required equity return as well as in bank loans. Indexation also improves project viability, even under major inflation shocks (e.g., Ukraine war impact).
   - UK Govt recently found that maintaining CPI indexation for the full duration of the CfD represents best value for consumers
3. [redacted]
4. [redacted]

3b) CfDs: Driving down capital costs and electricity prices

Using less equity and more debt can reduce a project's overall cost of capital. To get an investment-grade credit rating, banks look at the Debt Service Coverage Ratio (DSCR)—a measure of how well a project's income can cover its debt payments. If the project has fixed, guaranteed prices, banks may accept a DSCR of 1.3. For projects fully exposed to market prices, banks may require a higher DSCR of around 1.7. A higher DSCR means the project can take on less low-cost debt and must rely more on high-cost equity, which increases the overall cost of capital.

3d) PPA price gap jeopardizes offshore wind growth

German OW PPA's (MW)



Higher cost projects and lower willingness to pay -> very few new deals announced in 2025

CfDs cut overall financing costs and benefit end consumers

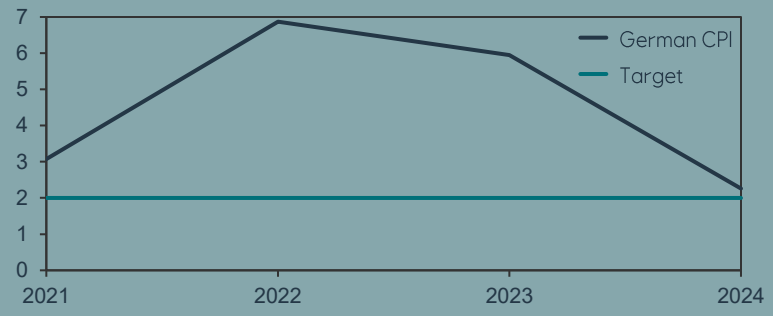
CfDs enable higher debt capacity (gearing) and longer loan tenors, reducing the overall cost of capital by approximately 1 percentage point compared to a scenario with 100% Corporate PPAs.

In a pure merchant scenario, the cost of capital reduction is even more pronounced – around 2% or higher. Such projects generally attract little interest from banks, requiring developers to fund the projects from their own balance sheets.

Given the limited number of recently announced offshore wind corporate PPAs, developers are increasingly assuming pure merchant conditions in their business cases, explaining the weak interest in recent offshore wind auctions without CfDs.

Indexation in CFDs Is Essential to Reduce Risk Premiums and Deliver the Lowest Cost to Consumers

Inflation (%)



German inflation has consistently exceeded the 2% annual target in recent years. Coupled with a more expansionary fiscal policy, this has elevated inflation as a key risk for financial institutions, resulting in inflation linked risk buffers incorporated in business case and generally tighter financing conditions for offshore wind projects.

Including indexation in CFD contracts is essential to minimize consumer costs by reducing risk buffers and lowering the cost of capital.

4. Award criteria and tender design

- The CfD bid price should be the only award criterion, for both pre-surveyed and non-pre-surveyed areas. This simplifies the bidding process and increases the legal certainty of an award.
- Non-price award criteria (following NZIA) should rather be set as prequalification criteria or delivery requirements.
- The level of security/bid bond should be aligned for both types of tenders, at the level of the tenders for non-pre-surveyed areas.
  - Bid mandate requests reach discouraging levels.
  - The survey data for the pre-surveyed projects are paid by winner anyway.

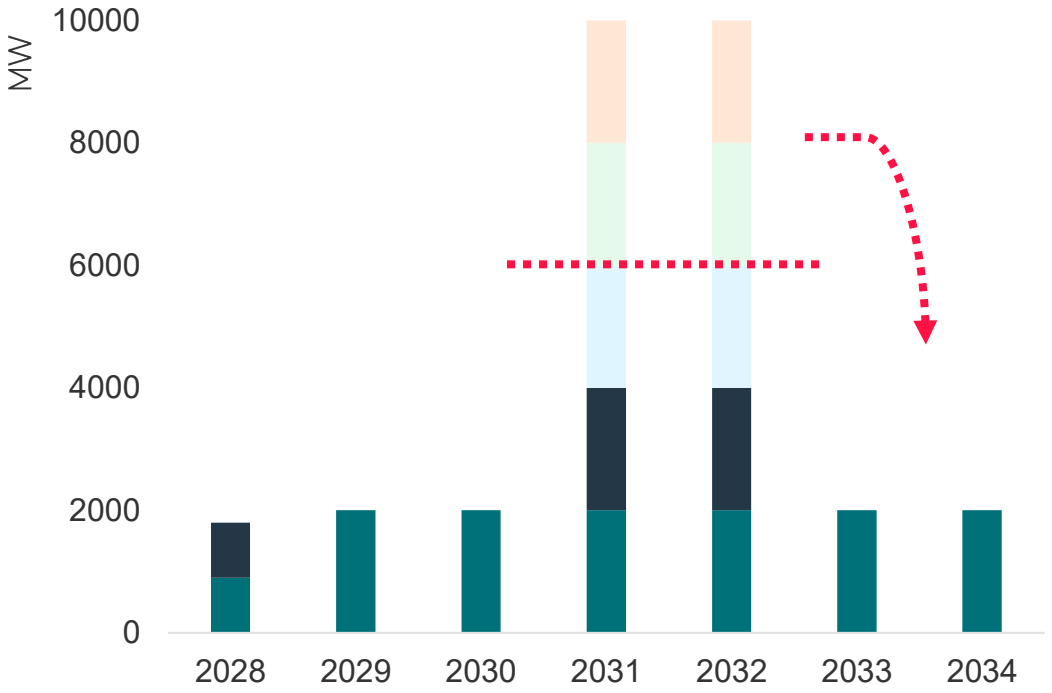
- One site per bidder, or at least protection against being awarded more than desired, e.g. by allowing switching bids from one site to another (US system/UK Round 5).

5. Unsustainable installation peak in 2031 and 2032

- Large tender volumes in 2023/24 and grid connection delays result in 20 GW of OWF capacity to reach first power in 2031&2032
- Strain on the supply chain, incl. installation ships
- Re-tenders can be used to adapt timelines and limit yearly installation volume to 6 GW

Capacity of grid connections to be commissioned per year

Largely equal to capacity of OWFs to reach first power in same year



Peak in 2031 and 2032 worsened as:

- Netherlands foresees 7 GW to become operational in 2031 /2032
- Denmark tendering 2 GW with completion deadline in 2032

GC	OWF	GC COD
NOR-6-3	N-6.6. & N-6.7	2028
NOR-9-3	N-9.3 & N-10.2	2029
NOR-9-1	N-9.1	2030
NOR-9-2	N-9.2	2031
NOR-10-1	N-10.1	2031
NOR-12-1	N-12.1	2031
NOR-12-2	N-12.2	2031
OST-2-4	O-2.2	2031
NOR-11-1	N-11.1	2032
NOR-11-2	N-11.2 & N-13.1	2032
NOR-13-1	N-12.3-N-13.2	2032
NOR-6-4*	N-6.8	2032
NOR-9-4*	N-9.4 & N-9.5	2032
NOR-12-3*	N-12.4 & N-12.5	2033
NOR-12-4*	N-12.6	2034

** GC without equipment order placed; for all other GCs orders are placed.*