

## **Tender for renewable energy – technology neutral, and financial conditions**

---

### **Background**

The Danish Energy Agency has on 23 August 2021 called for tenders under a “technology-neutral” tender round in 2021.

In the tender, solar cell systems, onshore wind turbines, open-door offshore wind turbines, wave energy plants and hydropower plants can compete for support.

The deadline for submitting bids is 22 October 2021.

The current tender round is the third technology-neutral tender in Denmark.

A majority of parliament consisting of the government (Social Democrats) and the Liberal Party, the Danish People's Party, the Radikale Venstre, the Socialist People's Party, the Unity List, the Conservatives, the Liberal Alliance and the Alternative entered into an agreement on 22 June 2020 to continue the technology-neutral tenders until 2021.

In addition, funds were reserved for further technology-neutral tenders in 2022-2024.

In the current tender, the Danish authorities have changed the financial support model from being a price supplement to the market price to being a “Contract for Difference” (CfD) support model.

### **Main terms of tender**

The main terms of the tender are as follows:

1. A single technology-neutral tender will be held in 2021, which will add up the allocated funds for 2020 and 2021. The tender will have a total disbursement ceiling for the state of DKK 1.2 billion. (2020 prices)
2. The capacity limitation of the tender is approx. 428 MW (onshore wind equivalents).
3. The tender uses a two-sided CfD support model, where the support can vary from year to year, while it is fixed within each calendar year.
4. The support is given for 20 years.
5. A bid ceiling of 25 øre / kWh has been set. Projects must be well into project development, and for example have a local plan approval.
6. Projects must be connected to the grid before, respectively 2 or 4 years from entering into a contract with the Danish Energy Agency depending on technology. Open-door offshore wind turbines must be connected to the grid within 4 years, and the other technologies within 2 years.
7. On 4 May 2021, the technology-neutral tender obtained the necessary approval from the European Commission in accordance with the guidelines for state aid for environmental protection and energy 2014-2020.

8. It follows from point 6.2 in the tender conditions that the contract will be awarded to the tenderer who submits a compliant tender with the lowest bid price, and which can be accommodated within the capacity limit or which can be accommodated within 90% of the total offered effect (onshore wind equivalent) if the capacity limitation is not reached.

## Assessment

The technology neutral tenders for renewable energy are an important part of the development of renewable energy in Denmark.

The tenders have been criticized for failing to provide sufficient certainty for developers, especially as regards feed-in tariffs and tariffs for grid connection, when bidding, as these cost components are not likely to be known for the coming years.

In addition, the bid ceiling was set in 2020 however further costs have since been added to the developers' cost bases (e.g. costs for acquiring adjacent property, bonus payments to neighbours, and a lumpsum to the local municipality). Furthermore, the financial support will be the same irrespective of where in the country the project is carried out (i.e. in coastal areas there is both more wind and sun than in inland areas).

On the other hand, except for the bid ceiling which is considered low, the financial terms of these tenders are now more in line with the terms for large offshore wind tenders.

----- 00 -----

WSCO will continue to monitor and report on renewables and other energy matters in Denmark.

The firm has significant experience in all matters related to renewable energy, including financing and investor relations, regulatory affairs, corporate matters, contracts, transactions and dispute resolution.

**For questions or comments to this newsletter, or energy, infrastructure and offshore in general, please contact partner and lawyer Bo Sandroos on +45 4088 5422 or [bos@wsko.dk](mailto:bos@wsko.dk).**

The information in this newsletter is for information only and cannot replace legal advice.

*WSCO is a leading law firm with a special focus on energy and offshore, shipping and transport, construction, global trade, insurance and dispute resolution. [www.wsko.dk](http://www.wsko.dk).*