

Two major offshore wind farms at a time – opportunities and threats

Two major Danish offshore wind farms are being planned for commissioning and operation in 2027, with tender and approval processes running more or less in parallel.

We provide the basic data and status of both projects, and we assess the pros and cons of the process.

Hesselø offshore wind farm

The Danish Energy Agency (DEA) has on 3 September 2020 issued a draft permit for preliminary survey for the Hesselø wind farm in a governmental hearing. The Danish transmission system operator, Energinet, shall carry out the survey.

Hesselø offshore wind farm is the second offshore wind farm to be built under the terms of the political energy agreement of June 2018. With a climate agreement of June 2020, it was decided to advance the time table of the tender as well as the deadline for when the wind farm has to be in operation.

This means that the Hesselø wind farm now has to be fully commissioned by the end of 2027, which is at the same time as Thor offshore wind farm. The DEA plans to start the tendering process in 2021, with the announcement of the winner of the tender at the end of 2022. However, in the press material regarding the Hesselø wind farm, submission of tenders are scheduled for 2022. In any event, the process of the survey and the tendering process must be compressed according to the DEA.

The wind farm is to be placed north of Zealand in Kattegat, in Hesselø Bay, at a distance of 30 km from Zealand and around 20 km from the island of Hesselø.

According to the DEA, the Hesselø offshore wind farm will have an installed capacity of between 800-1.200 MW and can thus potentially become the largest offshore wind farm in Denmark, depending on the capacity that the winner of the tender chooses to install. 1.000 MW can be delivered to the collective electricity grid.

Thor offshore wind farm

We have previously reported in detail on the Thor offshore wind farm and you may consult our previous reports for more details on Thor.

Most recently, on 25 September 2020 the DEA announced the tender timetable for Thor and the full tender package can be found on the DEA's website.

Thor is to be located in the North Sea west of Nissum Fjord, at a distance of appr. 20 km from the shore. The wind farm will have a capacity of min. 800 MW and max. 1.000 MW, and will be connected to the grid between 2024 and 2027.

The DEA expects to conclude the tendering process with final bids in Q4 2021 (8 November, to be precise).

Indications from a conference at the DEA in November 2019, at which WSCO also participated, are that 2027 is a more realistic start date for operations.

Experience also shows that aggressive time plans can be achieved, however at a cost, and often hard deadlines are softened in the face of the costs involved by pressing ahead.

Opportunities and threats

Opportunities and benefits from the dual process is:

- A coordinated approval process at the DEA and with other authorities
- Hearings and public consultations can run more smoothly and be coordinated
- A long-term, coordinated planning process for the tenderers
- A critical mass of work for both operators and contractors and suppliers, providing commercial opportunities
- "Volume" rebates possible for the tenderers for the wind farms?

Threats and drawback from the dual process is:

- Risks of delays at the DEA and other authorities due to the workload
- Lack of competition as tenderers for the wind farms may need to "choose" which farm to tender for
- Lack of installation vessels, other vessels, manpower etc. for one (or both) of the wind farms
- Risk of "drying out" private financing sources
- Pressures on the public finances, increasing political risk

In our assessment it may be difficult to establish both offshore wind farms + possibly a third major farm AND two energy islands within a period of 8-10 years. A lot of factors go into the equation. At the same time there are obvious benefits from such an ambitious investment drive, from a number of perspectives.

In conclusion, it is not unlikely that plans for one or both of the above-mentioned offshore wind farms will have to be adjusted, however for the time being the DEA appears focussed on achieving the political goals contained in the most recent climate agreement in Parliament.

WSCO law firm will continue to monitor and report on the development of the offshore wind projects in Denmark.

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For questions or comments to this newsletter or energy and offshore in general, please contact Bo Sandroos on +45 4088 5422 or bos@wsko.dk.

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