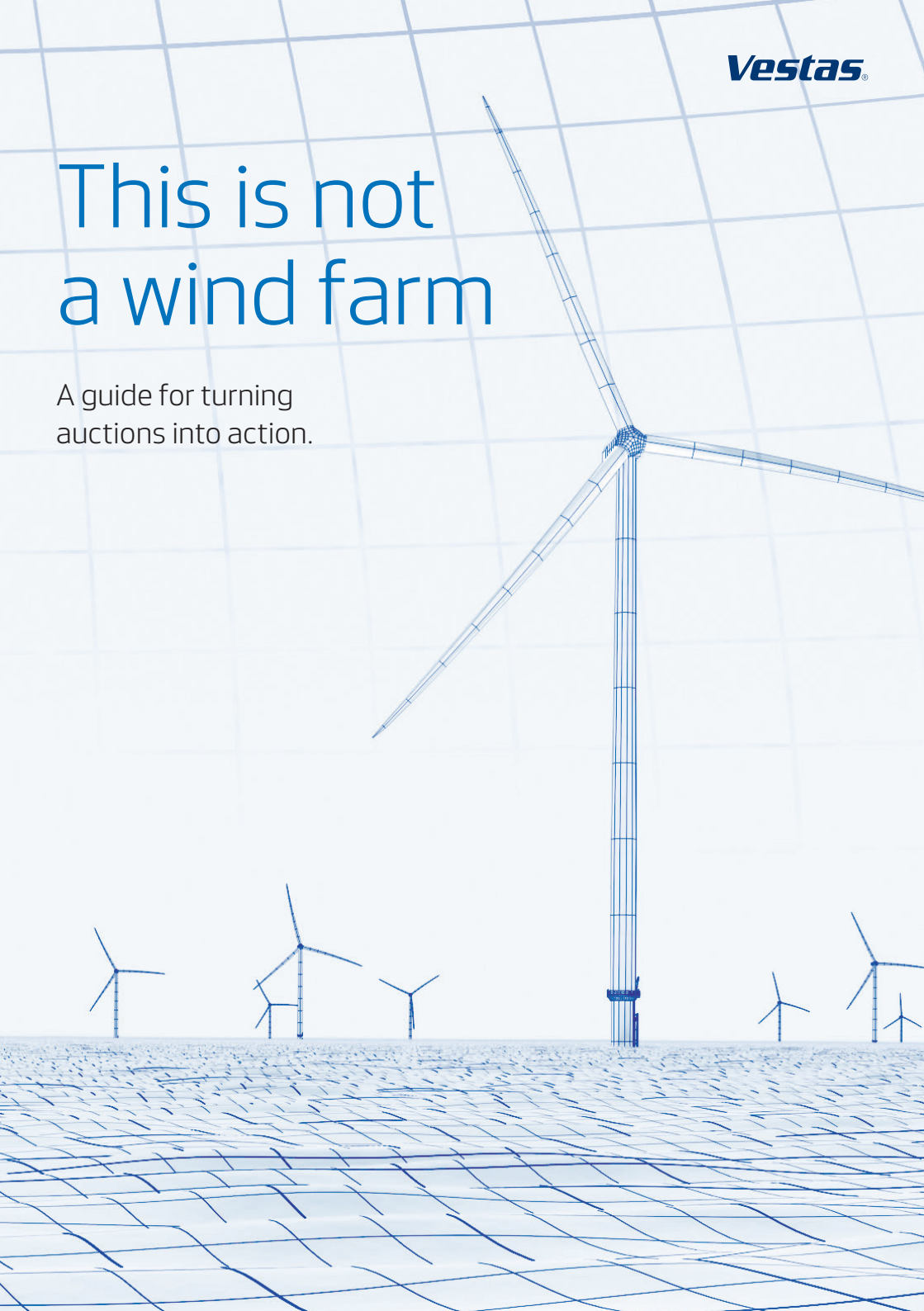


This is not a wind farm

A guide for turning
auctions into action.



~~Overpromise~~ & ~~underdeliver~~

The perfect plan

In 2024, authorities plan to auction nearly 50GW¹ of offshore wind projects globally. This marks a record in the history of offshore wind energy and shows that government plans for wind power are becoming increasingly ambitious.

These plans are straight-forward. Developers will receive the projects through auction systems, take the necessary steps through the development stages, including financial close and technology procurement. The projects will be built on schedule, supplying millions of households with clean, affordable, green electricity.

But plans, are not wind farms

Many of these plans get delayed and may not materialize into wind farms at all. In several markets, offshore auctions are designed to generate revenue streams from wind projects before they are built, and squeeze value from the industry

behind them. An industry, that is critical to deliver the technology and expertise needed to generate green electricity.

Offshore auction systems often require significant upfront fees from uncapped and exorbitantly capped bids, high concession payments or lease fees. This approach can result in unfeasible business cases, challenging projects to reach financial close and causing delays or even cancellations.

If we continue down this road, our offshore wind farms, and our climate goals, will never be more than plans.

From plan, to action

The good news is, we can reform auctions to support sustainable business cases for offshore wind, ensuring that planned projects are turned into real wind farms.

So how do we turn auctions into action?

By implementing the following 3 steps.

¹ Aegir Insights: <https://www.aegirinsights.com/get-ready-for-2024-the-busiest-year-of-offshore-wind-auctions-ever>

Step 1

Introduce revenue-sharing mechanisms

Uncapped and exorbitantly capped negative bidding and high lease fees weaken project economics by adding financial risk.

Instead of revenue derived through auctions, governments could secure a return from seabed usage through introducing a revenue sharing mechanism. This can link seabed lease payments or concession fees, directly to the revenue derived from projects, and would promote both project profitability and the utilization of seabed. Revenue based fees should be capped at 2% of annual revenue generated, bringing fees back to historical levels.





Step 2

Harmonise prequalification requirements

Designing auctions in isolation – that is, taking a market by market approach – can create an unrealistic business environment for the wind energy supply chain, which can prevent projects from becoming reality.

Furthermore, auctions that do not consider the supply chain can end up driving speculation in the bidding process, by allowing bids with turbine technology that is yet to be developed. This type of speculation creates risk and can hinder projects from being built as planned. Prequalification requirements should therefore include binding turbine technology commitments. This ensures bids in auctions are submitted with technology that is ready to be deployed.

Step 3

Create value with non-price criteria

As an alternative to awarding projects based on price only, auction designs can award projects based on their potential to create value for the surrounding energy system or society. This approach distinguishes bids based on qualitative parameters - such as improved sustainability performance - and allows developers to adjust their bids in case of higher costs associated with delivering these elements.

Non-price criteria should be carefully selected, and based on an approach that is harmonised across the region, or internationally. This can ensure that these award criteria can be implemented without creating additional cost or bureaucracy. It can also support that award criteria are transparent, measurable, and verifiable without resulting in additional complication or delays to the development of a project.



Reforming offshore auctions based on the steps outlined is key to realising the unprecedented volume that will be auctioned off in 2024. Without a reform, we risk being left with just plans.

Let's turn auctions into action

See how at vestas.com/action



Wind. It means the world to us.™

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