

# Belgian offshore wind: betting on zero

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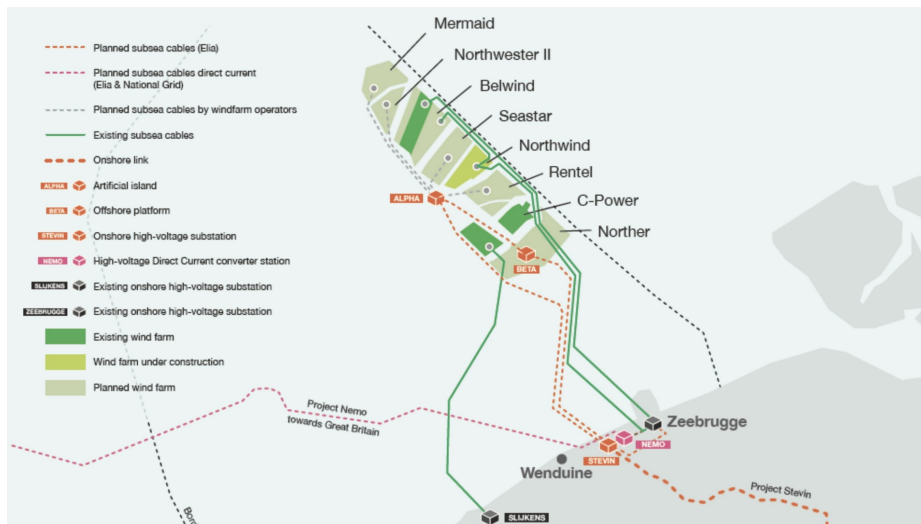
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Late last month (July 2018), following approval from the European commission, planned Belgian offshore wind farm Seastar and Mermaid merged. This union was prompted by Eneco joining Otary and Electrabel in the consortia for each project. The combined Seamade wind farm will have a total generating capacity of 487MW.

Seastar and Mermaid were among four Belgian offshore wind projects at financing stage which the Belgian government had threatened to cancel, deeming their subsidy packages too generous. After negotiations a variety of tariff reductions were eventually agreed for each, meaning they could proceed.

Now the government is turning its attention to a new round of offshore wind development (scheduled to be awarded in 2020). Belgium hopes to match some of its neighbours with these latest projects by attracting zero subsidy bids.

While an increasing number of offshore wind projects in Europe are set to be developed subsidy-free, not all market participants are convinced Belgium will reach this destination so quickly.



## Where it all began

In 2004, the Belgian government identified an area of around 260 square kilometres (subsequently reduced to 240km<sup>2</sup>) on the Belgian continental shelf in the North Sea for offshore wind development. This space was divided into eight spaces which was then distributed amongst Belgian developers.

The Belgian government introduced a REC tariff regime, which applied to projects reaching financial close before 2014. This tariff was then amended, to a system based on the levelled cost of electricity (LCOE) which was equivalent to €138 per MWh.

Four wind projects that had a combined capacity of 877MW were subsidised at this tariff:

- [Belwind](#), 171MW reached financial close in 2009
- [Nobelwind](#) (formerly Belwind 2), 165MW [reached close](#) after complications in October 2015
- Northwind, 216MW reached [financial close](#) in July 2012
- C-Power, 325MW (built in three phases) [reached close](#) in November 2010

Though Belgium had successfully created a domestic offshore wind sector, it soon became envious of much cheaper prices for generation being achieved elsewhere in Europe. By 2016, Ørsted (then DONG Energy) was winning the [Borssele 1 and 2 projects](#) with a bid of €72.70 per MWh thanks to an auction process which pushed down prices and falling technology costs.

The Belgian government responded by publicly complaining that the tariffs agreed for its five upcoming offshore wind projects were too generous and should be amended.

These projects were:

- The 309MW [Rentel](#), which [reached close](#) in October 2016
- The 270MW [Norther](#), which [reached close](#) in December 2016
- The 246MW Seastar and 300MW Mermaid, which were recently merged
- The 224MW [Northwester 2](#), which is due to close later in 2018

In July 2016, [Belgian politicians asked the European Commission](#) to review the subsidy support for the Rentel and Norther projects, which at the time were in [advanced stages of financing](#).

The review concluded that Norther and Rentel would have revised tariffs of €124/MWh and €129.8/MWh, respectively, with the subsidy support period reduced from 20 to 19 years.

In April 2017, Philippe De Backer - Secretary of State for Social Fraud, Privacy and the North Sea - said the country's government should revoke the concessions given to Seastar, Mermaid and Northwester 2. He proposed [retendering the projects via a competitive tendering process](#) in order to bring down the tariff prices.

Costs of developing offshore wind in Europe had fallen dramatically over the previous few years driven by a trend by European utilities such as Ørsted and EnBW bidding increasingly low in open auctions. In some recent cases these developers have bid zero-tariff prices for projects in Germany and the Netherlands in these competitive auctions.

While Belgium was keen to achieve the same sort of price reductions, it had limited time to negotiate. The government will decommission its two existing nuclear power plants – Doel and Tihange, which have a combined capacity of 6GW – by 2025 when their existing permits expire. The power stations account for 60% of the countries generating capacity.

In order to meet its EU emissions targets, the government has committed to having 2GW of offshore wind by 2020. This left no time to retender the offshore wind projects. Instead a new tariff price of €79/MWh was negotiated with the developers of Seastar, Mermaid and Northwester 2.

[Seastar and Mermaid subsequently merged](#), after Eneco became a shareholder in both projects. Following the merger, the Seamade equity consortium comprises:

- Otary - 70%
- Electrabel - 17.5%
- Eneco - 12.5%

Otary was lead sponsor for both Seastar and Mermaid, and was also the sponsor of Rentel. Otary is a consortium of eight Belgian companies: investors Socofe, Rent-A-Port Energy, and SRIW, local authority investment vehicle Z-kracht, dredging company Deme, offshore developer Aspiravi, and renewables developers Elicio and Power at Sea. Each hold a 12.5% stake in the consortium.

Financial close for Seastar is due by the end of 2018 with construction to commence in 2019 and operations beginning in 2020.

## Looking ahead

The Belgian government now plans to assign [a new 221km<sup>2</sup> area on the border](#) of French waters for offshore wind projects after 2020.

De Backer is driving the new procurement round for offshore wind some 35-40km from the coast on a patch of sea identified by the maritime spatial plan. He is hopeful that this new generation of wind farms may attract sponsors willing to develop them without any state subsidies.

In April 2017, the offshore wind market was shocked when 1.38GW of German offshore [wind was auctioned off](#) with zero subsidy bids. Earlier this year (March 2018), the Dutch Ministry of Economic Affairs held [its first zero subsidy offshore wind auction](#) for the 700MW Hollandse Kust Zuid I & II which was [won by Vattenfall](#).

However, the secretary general of the Belgium offshore platform, Annemie Vermeylen, believes the new zone is far too small and will create a very high park density, thus preventing the turbines receiving the maximum power available.

The Belgians are working against the clock to get 2GW of offshore wind power up before 2020 and replace the 6GW of nuclear power before 2025. With that being said, a source working on Belgian offshore wind said that it would be detrimental to the Belgian's race against time to not have subsidies for offshore wind.

A zero subsidised procurement would only increase hesitation among developers and prolong the procurement for Belgium, who are now under pressure to hit a target of 4GW of offshore wind by 2025.

However, sources working on Belgian offshore wind stated that whatever process the Belgians choose for assigning wind farms in 2020 it would be too soon for non-subsidised offshore wind projects claiming that it will definitely be viable but not just yet.

Another European investor compared the situation in Belgium with that of the UK where bid prices were down in 2017 by roughly [50% on average since the previous CfD](#) round in 2015. They think the Belgium market is heading towards a zero subsidy offshore wind market but maybe 2020 is too soon.

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