**Acceleration of offshore wind build-out in the green transition and to boost EU industry**

Non-paper by Belgium and Denmark

The build-out of offshore wind energy is crucial in order to reach our European goal of climate neutrality in 2050 and phase out fossil fuels while ensuring security of supply. With the Green Deal Industrial Plan the build-out of offshore energy has become even more important. On 18 May 2022, Denmark along with Belgium, the Netherlands and Germany signed the Esbjerg Declaration in which we aim to reach at least 150 GW of offshore wind capacity in 2050, delivering more than half of the capacity needed to reach EU climate neutrality according to the European Commission's Strategy on Offshore Renewable Energy.

In order to reach this ambitious target as well as the intermediate target of 65 GW by 2030, offshore wind build-out requires the proper framework. This will ensure swift deployment and also facilitate the development of green hydrogen solutions. Therefore, it should be a closely defined task by the EU to ensure the proper framework for the offshore wind build-out. Hence, the Commission should ensure that coming initiatives on the green transition reflect the following considerations as regards offshore wind build-out.

**Securing supply chains**. Developers of offshore wind projects face considerable supply chain bottlenecks such as labour and component shortages, especially due to the aftermath of COVID-19 and the war in Ukraine, which cause disruptions and fewer investments due to financial insecurity. The European wind industry also is under pressure from rapid inflation and in some cases distorted competition from industries outside of Europe, often characterized by price dumping. This challenges the European industry. Furthermore, a drastic expansion of production capacity will be required in the coming years to produce sufficient components, such as cables, hydrolysis and wind turbines, to deliver on the exponential requirements for renewable energy and hydrogen. This can affect the realization of the offshore energy targets set out in the Esbjerg Declaration. There is a need to ensure that European offshore wind companies are able to tap into a greener and more innovative supply chain that allows for a more dynamic exchange of supplies. The EU should also look to ensure supply of critical raw materials by diversifying imports including by seeking closer cooperation with reliable partners outside the EU. A dynamic and more strategic EU trade policy will contribute to such diversification.

**Circular economy solutions to lessen dependency on critical raw materials**. We need to ensure that products used to manufacture offshore wind turbines and the connected electricity grid are better designed for circularity and to increase traceability to help reduce the EU's dependency on critical raw materials. This includes manufacturers considering design for disassembly, durability, repair, remanufacturing, recycling, promoting circular standards and business models while using secondary raw materials as production input. It also requires increased traceability and sharing of digital product data between companies to strengthen resilience, resource efficiency, and reduced carbon emissions in their supply chains.

**Streamlined and simplified permitting framework for offshore wind**. The Green Deal Industrial Plan aims to ensure a simplified regulatory framework for production capacity. This is very positive. However, there remains a need to further address bottlenecks and barriers arising from permitting procedures for renewable energy projects, e.g. environmental regulation, in order to speed-up the green transition. REPowerEU took the first steps but it does not sufficiently address permitting issues related to offshore wind. Several Member States still have to build renewable energy projects – especially large-scale offshore wind – outside the so-called go to areas, where the current legislative framework still applies. Here, especially environmental EU legislation is often complex. Going forward, there is a

need to examine the current legislative framework thoroughly and clear objectives and guidelines need to be established. E.g. renewable energy projects that contribute significantly to the EU climate targets should be better conditioned to derogate from nature protection provisions in e.g. the habitats directive by providing flexibility to better fulfill the criteria for derogation. This will provide the applicant with the best guidance up-front and could also benefit the processing of applications by authorities. Finally, when considering this, security aspects of the build-out and protection of critical energy infrastructure to transmit energy from offshore wind must also be taken into account.

**Build-out of grid infrastructure.** In order to ensure a free flow of renewable electricity from offshore wind production, there is need for well-developed grid infrastructure, including interconnection with the hydrogen infrastructure. Consequently, it is important to look into synergies with funding opportunities such as TEN-E and CEF in order to ensure eligibility of hydrogen and electricity infrastructure as well as interconnectors. Interconnectors are also of vital importance to maintain security of supply, ensure efficient integration of renewable energy and a cost-efficient usage of production. Restrictions and lack of availability of existing interconnectors and internal bottlenecks in national grids also represent an important barrier to the green transition.

**Sustainable tender procedures**. We encourage the Commission to examine how tender procedures could contribute to the green and sustainable transition in Europe by creating lead markets for innovative, green products and supply chains aligned with the EU's climate neutrality objectives, in line with the EU's WTO-obligations and taking into account the impact on prices. Furthermore, the Commission should take into account other regulation, which sets binding environmental requirements in connection with public procurement such as the regulation on ecodesign.

**Incentives to ensure risk willingness**. Investment risks between Member States are often disproportionate when they enter into cross-border cooperation projects such as hybrid offshore projects. When Member States cooperate they become interdependent and both will often bear additional costs and risks. -On top of that, there is no assurance of avoiding delays or ensuring resilience of the electricity grid due to external or unforeseen factors. This constitutes a significant investment risk for the whole project especially with regard to the further build-out and scaling-up of renewable energy production and transmission. Hence, the Commission should consider arrangements to accelerate the development of cross-border projects. One solution to help ensure risk willingness for Member States could be to look into whether e.g. the scope of the Connecting Europe Facility under the TEN-E regulation could be extended to cover aspects of the investments that both Member States face when initiating cross-border projects. This needs to be in line with state aid regulation. In addition we should enhance the use of the IPCEI instrument, by easing its complex and timely procedures. Moreover, the EIB as climate bank should become the main partner for public-private partnerships, when certain projects are considered too high-risk for the private sector.

**A targeted EU electricity market reform**. The EU electricity system has faced severe challenges in 2022. The current situation has shown that the electricity market should become better prepared for external shocks. However, when revising the electricity market, the EU must not lose sight of what is needed to achieve the bigger aim: The ambitious EU climate and energy targets, the phase out of fossil fuels, security of supply, and affordable prices. To this end, an open and competitive EU-internal energy market is an important element to ensure security of supply, especially by cross-border trade and cross-border physical flows at all times and under all circumstances as far as technically feasible.