



Public consultation on 3 GW offshore wind farms in Denmark: Summary of and the Danish Energy Agency's responses to the input received

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Between June and August 2025, the Danish Energy Agency (DEA) conducted a public consultation regarding the planned procurement procedures for 3 GW¹ of offshore wind in Denmark. The procurement procedures will cover the three offshore wind farms, Hesselø, North Sea I South, and North Sea I Mid, for which the winning bidders will be granted State aid through a capability-based two-way Contract-for-Difference (C-CfD). The purpose of the consultation was, among other things, to seek public input on the competition impacts and proportionality of the envisaged subsidy scheme.

Now that the Framework for State aid measures to support the Clean Industrial Deal (CISAF)² has been adopted, the subsidy scheme and the state aid approval process has been revised to ensure and show compliance with CISAF. However, the subsidy scheme and the state aid approval process were initially designed to ensure compliance with the Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG)³. CEEAG requires Member States granting state aid to renewable energy to conduct a public consultation. The DEA therefore conducted a public consultation from 24 June 2025 to 6 August 2025, simultaneously with the market dialogue regarding the methodology of the envisaged subsidy scheme and the draft procurement material, to ensure compliance with CEEAG before CISAF was adopted. Although a public consultation is not required under the CISAF, the public consultation had been conducted in accordance with CEEAG, as CISAF was not adopted at the time when this consultation was prepared.

To give the market an overview of the relevant terms and conditions in the procurement material in order for market participants to give informed inputs in the public consultation, the DEA published the attached Annex 2 along with a questionnaire and the draft procurement material.

This memo constitutes a summary of the input received during the public consultation and the DEA's overall responses and actions on the background hereof.

¹ Following the public consultation the 3 GW offshore wind farms was adjusted to collectively consist of a minimum capacity of 2,8 GW. As this memorandum summarize the public consultation, the collective minimum capacity will be described as 3 GW, even though it has now been adjusted to be 2,8 GW.

² Communication from the Commission, Framework for State Aid measures to support the Clean Industrial Deal (Clean Industrial Deal Aid Framework) (C/2025/3602) (CISAF).

³ Communication from the Commission, Guidelines on State aid for climate, environmental protection and energy 2022 (2022/C 80/01) (CEEAG).

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Summary of the input received in the public consultation and the DEA's responses

The DEA's public consultation consisted of seven specific questions regarding the envisaged subsidy scheme in regards to competition and the state aid process and important subjects hereto. The consultation also invited market participants to provide general comments and observations regarding state aid and the envisioned subsidy scheme in this regard.

As the DEA has promised the market participants to anonymize their input in further processing, the inputs are summarized below in regards to the questions asked and as general observations on state aid and the subjects hereto. The DEA has for the same reasons not provided a response to specific suggestions to changes, where the suggestions would indicate the identity of the market participant who sent the input or suggestion.

17 market participants participated in the market dialogue. Seven (7) of these also provided answers to the seven specific questions from the public consultation in relation to state aid and the envisioned subsidy scheme. Their inputs have been summarized below in regards to each question.

Re question 1) Do you agree with the DEA that the limitation of the eligible undertaking described in section 1 of the Annex 2, whereby tenderers must show at least one reference, is justified and that it does not hamper the competition for the concessions/aid?

Overall, the market participants agree that a requirement of one reference is justified and that it does not hamper the competition for the concessions/aid. The market participants have generally expressed that one reference ensures a basic level of relevant experience while remaining proportionate and accessible to more potential participants. Few market participants have expressed a need to clarify the requirements described in Annex 2 and in the procurement specifications clause 6.2, in case of a consortium.

The DEA has in response to this looked into whether a clarification in the procurement specifications clause 6.2 regarding the minimum requirements for eligibility was necessary. It is the DEA's assessment that the published Annex 2 in the market dialogue summarising the changes and the clauses which regards the subjects of the public consultation, did not describe the full clear picture of the requirement in relation to consortia. However, it has not been found necessary to clarify the requirements in general, as clause 5.1 of the procurement specifications also describes and adds to the understanding of the requirement, which means that the requirements to submit a tender as a consortium will be clear when requirements in the procurement specifications are read together as a whole.



Re question 2) Do you agree with the DEA that the procurement process described in Annex 2 - in general, but section 2 in particular - and the enclosed tender specifications is the most efficient way to ensure competition among tenders, keeping the aid to a minimum to induce investment in the establishment of the Offshore Wind Farms?

Overall, the market participants agree that the established competitive bidding process described in section 2 of Annex 2 ensures competition while keeping the aid as low as possible. However, there have been various input from some market participants specifically directed at the calculation of the aid and the C-CfD design, where some suggestions to alternatives have been made.

The lack of a prequalification phase and the removal of minimum requirements regarding economic and financial capacity has also been pointed out by a few stating that due to the removal of these requirements a potential winner could be inexperienced or underprepared which could lead to delays or failures in the projects.

The DEA have assessed the suggestions from the inputs and has met many of the suggestions regarding the C-CfD design to create better conditions for the market, such as, the weighted monthly average of day-ahead prices and inflation indexation of the reference price, etc.

However, the DEA will not make changes to the procurement process described, as the overall feedback from the market participants has been that the process ensures competition while keeping the aid low.

In relation to the concern that a potential winner could be inexperienced and underprepared due to the removed minimum requirements to economic and financial capacity, the DEA notes that the technical requirements in regards to the above-mentioned references and the financial guarantees required from the bidder being awarded the tender still applies. These requirements cannot be fulfilled by an inexperienced or underprepared potential winner without relying on a more experienced operator in the market.

Re question 3) Do you agree with the DEA that the proposed criterion described in section 3 in Annex 2 ensures sufficient competition between different types of beneficiaries?

Overall, the market participants agree that using the bid price as the sole award criterion ensures sufficient competition between different types of beneficiaries. The market participants have found that this approach creates a transparent and objective basis for ranking bids, incentivizes tenderers to offer their lowest possible price, and supports broad participation across market players. However, there has



been negative feedback on drawing lots to decide between equal bids, as it may feel arbitrary to bidders who have invested heavily in bidding.

The DEA have assessed the concern on drawing lots in the unlikely situation that equal bids down to the fourth decimal is received. The DEA will not make changes to this method for the unlikely situation of receiving equal bids. To elaborate, the DEA will only initiate a mechanism of drawing lots in the unlikely event that multiple tenders contain equal lowest bid price. To counter the event of multiple tenders containing equal lowest bid prices, the DEA has required that the tenderers submit bid prices with up to four decimals.

Re question 4) Do you agree with the DEA's assessment that the counterfactual scenario, i.e. the situation without aid, described in section 4 in Annex 2, to be a reasonable depiction of the costs and revenues of the reference projects?

The majority of the feedback recognises that variations in calculations are expected due to differing methodologies, although the market participants largely find the estimations in the analysis to be underestimated compared to current market conditions and data. A few market participants point out directly that the inputs used for the counterfactual scenarios does not represent realistic estimates of CAPEX and OPEX, and that the estimated CAPEX used in the counterfactual scenarios are expectedly higher in reality.

However, the majority of the market participants points out that the counterfactual scenario described in section 4 of Annex 2, regarding the main assumptions used to demonstrate the incentive effect, the necessity and the proportionality of the aid, supports the conclusion that these offshore wind projects likely would not proceed or be viable without financial aid.

The DEA recognises that although the estimates presented in the counterfactual scenario in section 4 of Annex 2 are underestimated compared to current market conditions, the conclusion that the offshore wind projects likely would not proceed or be viable without financial aid are still available. The DEA has therefore generally not made changes to the procurement material in this regard, although changes, *inter alia*, to the differentiated cap and the reference price has been made in regards to the market feedback to this public consultation and the market dialogue in general, following an amendment to the political agreement regarding the tender framework for three offshore wind farms.

Re question 5) Do you agree with the DEA's assessment that there is strong competition for the concessions, which, together with the C-CfD, as stated in section 4 in Annex 2, will be sufficient to ensure the proportionality of the aid?



There is broad recognition that competition is expected to be present and likely sufficient to support proportionality of the aid, and several market participants acknowledge improvements in the revised framework. However, some market participants note that competition may be weaker than anticipated due to market conditions, risk exposure and other factors dependent on future developments. Market participants propose measures to strengthen competition, including a production-weighted reference price, greater flexibility through carve-out options or corporate PPAs, and adjustments to CfD terms such as indexation of the strike price and easing penalties for Available Active Power (AAP) deviations. Others emphasize that their assessment ultimately depends on the obligations and final terms set out in the final procurement material.

The DEA has, in order to improve the competitiveness of the procurement, eased the overall sanctions framework applicable to the CfD scheme by clarifying and narrowing the conditions under which sanctions may be applied and by introducing the possibility of a dialogue between the DEA and the Concessionaire before the most severe sanction is activated. In addition, the DEA has introduced indexation of the strike price and changed the reference price calculation from a simple average of day-ahead prices to a weighted monthly average of day-ahead prices (weighted by the AAP for the relevant month of the Offshore Wind Farm in the day-ahead market for the bidding zone in which the Offshore Wind Farm is located).

Furthermore, the CfD scheme only covers the minimum capacity, why any overplanting capacity will operate on market terms. The overplanting capacity allows for further flexibility, for example to engage in corporate PPAs.

Re question 6) *Do you find that the differentiated caps on payment, described in section 2.2 of Appendix 3 to the concession agreement, between the North Sea I South and Mid sites could potentially influence bidder interest or the competitive dynamics between the two sites?*

There has been an overall agreement that the differentiated caps on payment could potentially influence bidder interest. The main concern is that one or more of the caps might be too low to make a viable business case, which in turn could influence bidder interest in the sites, or attract bidders only to the site with the highest cap.

The DEA has redistributed the differentiated cap on payments to assess the market concern that the North Sea I, Mid, site has expectedly higher costs and risk than first anticipated and is therefore in need for more aid. That also means that the cap on the North Sea I, South, site has been reduced to the estimated need for financial aid, to allocate a higher cap on the North Sea I, Mid, site. For Hesselø the cap will stay the same, although the minimum capacity has been reduced to 800 MW allowing for more subsidy per MW.



Furthermore, the tender submission deadline for North Sea I, South, has been pushed back to create a chance for market development in regards to lower costs, a rise in demand or in regards to the development of a hydrogen pipeline in the Danish region of Jutland. The possible establishment of a hydrogen pipeline will be an indication to bidders that electricity consumption will increase, and the need for support would be lower. This will be clarified by February 2027 at the latest.

In general, it should be noted that neither of the differentiated caps are adjusted to a level below what the DEA expects will be sufficient based on the initial analysis of the business case of the three projects.

Re question 7) *Do you agree with the DEA's assessment that the method and estimates of the subsidy per ton of CO2 emission avoided stated in section 5 in Annex 2 to be reasonable?*

The majority of the market participants consider the DEA's method and estimates reasonable and aligned with EU Innovation Fund methodology. Some participants had comments pointing to uncertainties related primarily to project-specific technical assumptions, rather than to the underlying calculation method itself.

The DEA has not made any changes, as no inputs questioned the fundamental approach or raised concern that the methodology leads to materially inaccurate results.

Re general observations regarding state aid related subjects

The public consultation provided an opportunity for market participants to give general feedback on, *inter alia*, the competition impacts and proportionality of the envisaged subsidy scheme.

The market dialogue for the procurement procedures of 3 GW offshore wind farms, held simultaneously with the public consultation, has also led to various feedback. The following section will provide a high-level overview of the general input received by the Danish Energy Agency in this market dialogue, which has relevance for the subjects examined in the public consultation.

Some of the feedback has related to the timing of the market dialogue, and further also the public consultation conducted over the summer from 24 June 2025 to 6 August 2025, in particular the short period of time to prepare and provide inputs to the market dialogue. In relation to this, some have mentioned that this may have an impact on the potential bidders in relation to the preparation of their bids in the long run.

The majority of the market participants believe that the envisaged subsidy scheme is essential for the development of offshore wind and therefore support the idea of



the envisaged subsidy scheme and the full development hereof. However, a few market participants have expressed concern about whether the envisaged subsidy scheme and the procurement procedures could affect competition and thus result in lower market revenues for other renewable energy projects not only in regards to other offshore wind farms.

There has also been raised concerns that inflation is not sufficiently factored into the envisaged subsidy scheme.

Furthermore, several changes to the envisaged subsidy scheme have been suggested, including that instead of a fixed subsidy for each park, there should be a joint pool. There has also been proposed changes regarding recalibration, indexation, and the reference price of the envisaged subsidy scheme.

The DEA appreciates the inputs and feedback received in both the market dialogue and the public consultation, also given the timing hereof over the summer. The feedback and suggested changes have been assessed and as described in the DEA's responses above, many of such suggestions, have been met with alterations of the final procurement material, hereunder the subsidy scheme. The DEA has, amongst other alterations, made changes in regards to recalibration, changed the reference price calculation from a simple average of day-ahead prices to a weighted monthly average of day-ahead prices, and in general made adjustments to create better conditions for the market.

The DEA notes the feedback that a subsidy scheme is essential for the development of offshore wind and important to potential bidders' business case, and has assessed the concern regarding the effect it could have on other renewable energy projects (both those in the pipeline, those approved to be established, and those already established in the energy market) who does not receive public aid. The presented subsidy scheme has been designed both to ensure the award of a proportional and necessary aid to support the further establishment of offshore renewable energy to meet both national and international green ambitions, such as the North Sea Declaration of May 2022 and the Ostend Declaration of April 2023, but also to prevent undue distortion of the efficient functioning of markets, and to preserve efficient operating incentives. It is therefore the DEA's assessment, that the envisaged subsidy scheme will support the production of offshore renewable energy projects to fulfill both national and European green ambitions, to free Denmark from Russian gas and the political ambition for Denmark to become a net exporter of green electricity for the benefit of a greener and more secure Europe, while at the same time not distorting an electricity market where both offshore wind operators as well as other renewable energy projects will be a necessary part of fulfilling current and future energy consumption in Denmark and in Europe.