



## Annex 2 – State aid law required public consultation

As stated in the Reading Guide, the concession agreement is designed to ensure compliance with both the Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG)<sup>1</sup> and the draft Framework State aid measures to support the Clean Industrial Deal (CISAF).<sup>2</sup> While public consultation is not required under the draft version of the CISAF, the CEEAG requires Member States granting State aid to renewable energy to conduct a public consultation, asking for opinions on the scheme's competition impact and proportionality.

The duration of the public consultation should, according to point 99(a) of the CEEAG, be at least six weeks and should cover the following topics:

- i) The undertakings eligible for aid under the scheme.
- ii) Proposed use and scope of the competitive bidding process and any proposed exceptions.
- iii) Main parameters for allocation of the aid, including for enabling competition between different types of beneficiaries.
- iv) Main assumptions used to demonstrate the incentive effect, the necessity and the proportionality of the aid.
- v) Method and estimate of subsidy per ton of CO<sub>2</sub>e emission avoided (per reference project).

The DEA's assumptions and considerations concerning the five topics listed above are summarised in the following subsections. As stated in the Reading Guide, the DEA has included specific questions centred on these topics in Annex 1. The DEA kindly requests that input be submitted through the message module in EU-Supply.

### 1. Eligibility

As stated in section 2 of the Reading Guide, the DEA intends to remove the minimum requirements regarding economic and financial capacity. Tenderer will, nevertheless, be required to submit at least one reference to demonstrate their experience covering a largescale offshore project in relation to energy production, cf. Procurements Specifications, section 6.2. Newly formed undertakings or actors new to the offshore wind industry may rely on the experience of others if these undertakings also assume responsibility for the obligations relating to the concession contract.

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<sup>1</sup> Communication from the Commission, Guidelines on State aid for climate, environmental protection and energy 2022 (2022/C 80/01) (CEEAG).

<sup>2</sup> Draft communication from the Commission, Framework for State Aid measures to support the Clean Industrial Deal (Clean Industrial Deal Aid Framework) – Published on the Commission's website 11 March 2025 (CISAF) (Available here: [https://competition-policy.ec.europa.eu/document/download/45b532ce-53fb-4907-975c-79edaa31a166\\_en?filename=2025\\_CISAF\\_draft\\_EC\\_communication.pdf](https://competition-policy.ec.europa.eu/document/download/45b532ce-53fb-4907-975c-79edaa31a166_en?filename=2025_CISAF_draft_EC_communication.pdf)).



## 2. Use and scope of the competitive bidding process

The aid under the scheme will be granted through a competitive bidding process, following the Danish Public Procurement Act<sup>3</sup>, which implements the EU's Public Procurement Directive<sup>4</sup> into Danish law. Both the Danish Public Procurement Act and the EU's Public Procurement Directive are based on principles of transparency, equal treatment and non-discrimination, materializing in rigorous procedural rules, minimum time limits, openness and a prohibition against unnecessarily discriminatory contractual requirements.

The DEA intends to use an open procedure to allocate the aid, which is a one-step procurement process, meaning that there will be no negotiations with (potential) tenderers. The open procedure allows all interested undertakings to submit a binding bid based on the procurement documents and the published contract notice, as there will be no prequalification to limit the number of candidates.

As stated in section 1.1 of the Reading Guide, the DEA plans to initiate the public procurement procedure in October 2025, with a deadline for submission of bids in March 2026 for Hesselø and North Sea I, Mid, and in September 2027 at the earliest for North Sea I, South.

## 3. Main parameters for allocation of the aid

The DEA will, as stated in section 11.1 of the enclosed draft Procurement specifications, rank the bids using the bid price as the sole award criterion. In the extremely unlikely event that multiple tenders contain equal lowest bid price, the DEA will initiate a mechanism of drawing lots.

## 4. Main assumptions used to demonstrate the incentive effect, the necessity and the proportionality of the aid

### *Incentive effect and necessity*

To be considered compatible with the internal market under TFEU art. 107(3)(c) of the Treaty on the Functioning of the European Union (TFEU), State aid must have an incentive effect. According to point 26 of the CEEAG, an incentive effect occurs when the aid induces the beneficiary to change its behaviour to engage in additional economic activity or a more environmentally friendly economic activity,

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<sup>3</sup> Consolidated Act no. 10 of 6 January 2023 on public procurement (available in Danish at: <https://www.retsinformation.dk/eli/ta/2023/10>).

<sup>4</sup> Directive 2014/24/EU of the European Parliament and of the Council of 26 February on public procurement and repealing Directive 2004/18/EU.



which it would not carry out without the aid or would carry out in a restricted or different manner. Moreover, to be approved, the aid must also be necessary, which, following point 38 of the CEEAG, also requires showing that the aid project would not be carried out without the aid.

The DEA has conducted a discounted cash-flow analysis, calculating the net present value (NPV) in the counterfactual scenario - i.e. the situation without aid - for each of the three offshore wind reference projects the Danish Government wishes to tender with aid. Hence, the reference projects are:

- 1 GW in the site North Sea I Mid,
- 1 GW in the site North Sea I South and
- 1 GW in the site Hesselø.

The DEA notes that the counterfactual scenario does not include the overplanting capacity. The DEA does not disregard the potential positive effect the option to overplant might have for some of the possible beneficiaries. However, as the possible beneficiaries at the time of submission of their bids will be under no obligation to establish the extra capacity, the DEA finds that the overplanting capacity should not be included in the counterfactual scenario. At the same time – since the NPVs for each of the projects, as highlighted below, are shown to be negative without overplanting – the DEA consider it very unlikely that the concessionaries would make use of an option for overplanting in the counterfactual scenario.

The cost estimations of each of the reference projects cover the capital expenditure (CAPEX) related to the establishment of the parks, which include the construction of the wind turbines, other installations within the wind farm and the cable connecting the wind farm to the grid. The DEA notes that as the Hesselø Offshore Wind Farm is located further away from the shore and the Point of Connection (POC) to the electricity grid than the other two farms, and since the seabed at Hesselø is found to be soft, the CAPEX for Hesselø is estimated to be higher than in the two North Sea parks. The costs related to the operating phase (OPEX) include operating and maintenance costs, feed-in-tariffs and connection fee. Abandonment expenditures (ABEX) of the three wind farms are also included as a separate post in the analysis. The estimated revenues for each of the offshore wind farms are based on estimates from the DEA's Ramses model, which is a linear market equilibrium model that simulates the future production of electricity across multiple bidding zones, and thereby also estimates future electricity prices.<sup>5</sup>

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<sup>5</sup> More information on the Ramses model is available on the DEA's website (in English here: <https://ens.dk/en/analyses-and-statistics/models>, and in Danish and further details here: [file:///C:/Users/b057925/Downloads/ramses\\_energisystemmodel%20\(1\).pdf](file:///C:/Users/b057925/Downloads/ramses_energisystemmodel%20(1).pdf)).



To calculate the NPV's for the reference projects, the DEA assumes that the developers have different requirements for the return on capital depending on which phase the project is undergoing. Hence, while the DEA has assumed that the developers will use a higher rate of return during the investment phase, i.e. the period in which the construction is done, of seven pct., as this phase is associated with a higher risk for the developer, the DEA assumes a five pct. rate of return during operating phase. Moreover, the NPV is based on the projects having a 30-year lifetime.

The NPV for each of the reference projects are shown in Table 1 below:

	<b>North Sea I Mid (1 GW)</b>	<b>North Sea I South (1 GW)</b>	<b>Hesselø (1 GW)</b>
OPEX	-10.6	-10.6	-10.8
ABEX	-0.4	-0.4	-0.4
CAPEX	-18.5	-18,4	-20.4
Revenues	28.3 ; 35.4; 42.5	27.0 ; 33.8 ; 40.6	25.5 ; 31.9 ; 38.3
<b>2030-NPV (2025-prices)</b>	<b>-7.5 ; -4.4 ; -1.3</b>	<b>-7.3 ; -4.8 ; -2.3</b>	<b>-9.9 ; -7.4 ; -4.8</b>

\* The prices in the table are actual 2025-prices. The NPV shows the discounted net cash flow in 2030 related to each of the projects using the assumed rate of returns for the projects. The revenues – and thus the NPVs – are presented as a range that reflects a potential variation in future electricity prices of ±20%."

As shown in Table 1, the costs and revenues in the counterfactual scenarios result in a negative NPV for each of the three reference projects. The NPV's are presented as a range to reflect different electricity price scenarios, and the results remain robust across all scenarios. This suggests that the projects are unlikely to be realised without state support. The fact that no bids were submitted for the sites tendered by the Danish State in December 2024 supports this conclusion.

#### *Proportionality of the aid*

The DEA assesses that there will be enough competition for the concessions for the three Offshore Wind Farms to ensure that the tenderers submit their lowest bid prices.

Moreover, by applying a CfD-based aid model, the risk of overcompensation is removed, as the Danish state, through the CfD, receives the windfall profits caused by (unexpected) rises in electricity prices.



## 5. Method and estimate of subsidy per ton of CO<sub>2</sub>e emission avoided

Based on the EU Innovation Fund's methodological principles,<sup>6</sup> the DEA has calculated the expected subsidy per ton of CO<sub>2</sub>e avoided for each of the 1 GW offshore wind projects:

North Sea I Mid	North Sea I South	Hesselø
196	276	539

The calculations, assumptions and method used are outlined in Annex 2.1.

<sup>6</sup> European Commission, Innovation Fund, Call for proposals, Annex C: Method for GHG Emission Avoidance Calculation, 7 February 2022 (available here: [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/innovfund/wp-call/2021/call-annex\\_c\\_innovfund-lsc-2021\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/innovfund/wp-call/2021/call-annex_c_innovfund-lsc-2021_en.pdf))