



OFFSHORE FINANCING FRAMEWORK FOR CROSS-BORDER WIND ENERGY PROJECTS

Member States of the North Seas Energy Cooperation (NSEC) and the United Kingdom (UK) will work towards establishing the Offshore Financing Framework (OFF), aimed to support the cooperative planning and financing of cooperation projects¹ in the North Seas. It aims to build on existing instruments and will stand on two pillars, summarised below:

Pillar I: Improve existing planning and cost-sharing processes for cooperation project sets.

This pillar will include supportive conditions and processes to:

- I. Support involved governments to define cooperation project sets, as identified and proposed by the Offshore TSO Collaboration (OTC) under the guidance of the European Network of Transmission System Operators for Electricity (ENTSO-E) and seeking the support from the European Commission.
- II. Develop insights on fair cost-benefit sharing solutions for interconnector assets between countries intending to co-finance a project set, involving Transmission System Operators (TSOs) through the OTC, National Regulatory Authorities (NRAs) and North Seas governments.
- III. Support involved North Seas governments to find cost-benefit sharing and risk-sharing agreements for electricity generation and transmission assets of cooperation projects, based on a coordinated and mutually agreed view of a given project set.

¹ Cross-border cooperation projects comprise hybrid offshore wind projects including transmission infrastructure with grid connections to more than one country, as well as cross-border radially connected wind farms.

Pillar II: Improve cooperation projects' access to financing sources and instruments.

This pillar includes supportive conditions and processes to:

- I. **Investigate options to improve access to an increased volume of affordable capital** for cooperation projects. Participating EU Member States call on the European Commission to engage with InvestEU implementing partners to facilitate the financing of cooperation projects.
- II. **Calling on the European Investment Bank (EIB)** and other national banks, where appropriate, to strengthen investments in cooperation projects. Doing so showcases the political support of North Seas States for hybrid offshore projects which can display a positive net impact on European economy (e.g. with Project of Common Interest (PCI) status²), which in turn may also encourage commercial lenders to accept remaining risks more confidently.
- III. **Enable the financing of regulated offshore grid assets such as Special Purpose Vehicles (SPVs).** North Seas States may work with their regulators to enable the use of project financing methods for new offshore transmission assets, and allowing private equity investments in resulting SPVs.
- IV. **Exploring options for increased cooperation on cross-border de-risking instruments for generation assets.**

North Seas States should work collaboratively towards developing de-risking instruments which effectively protect hybrid offshore wind project developers against additional merchant and system risks compared to radially connected projects, for an appropriate period of time. Joint Contracts-for-Difference (CfDs), can be effective tools to address these risks and can be considered by cooperating countries where appropriate. Coordinated CfD designs may reduce complexity for developers and could thus reduce investment barriers. Their implementation should consider insights on cost-benefit sharing solutions as mentioned under pillar 1. Hence, the following sources of funding for generation assets could be explored, including:

- Cross-border two-sided CfDs or equivalent price security mechanisms, including strengthening the European Power Purchase Agreement (PPA) market.
- Fair and voluntary contribution from non-hosting countries, for instance, through the Renewable Energy Financing Mechanism (RENEWFM).
- EU funding through the Connecting Europe Facility (CEF) in the current multi-annual financial framework of the EU from the cross-border renewable energy projects (CB-RES) window in the form of investment grants and potentially CEF contributions to the RENEWFM, subject to the conditions in the CEF Regulation.
- Investigating options for mitigation mechanisms to address hybrid-specific risks faced by offshore wind developers.

2 Projects of Common Interest in accordance with Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure, OJ L 152, 3.6.2022, pp. 45–102