Welcome to the Ørsted Interim Report for the first quarter of 2019. For the first part of this call, all participants will be in listen-only mode and afterwards, there will be a question and answer session. Today’s speakers are CEO Henrik Poulsen and CFO Marianne Wiinholt. Please begin your meeting.

Thank you very much and good morning everyone and welcome to this earnings call. Ørsted has had a very good start to the year with continued strategic progress being made across the business as well as very solid results in line with our expectations. Our EBITDA for the first quarter of the year amounted to DKK 5.1 billion, which was a decrease of DKK 400 million compared to the first quarter last year. The decrease in EBITDA, however, was expected and due to a positive outcome of the renegotiation in the first quarter 2018 as well as cyclically lower earnings from our gas portfolio activities in Customer Solutions. Earnings from our offshore wind farms in operation amounted DKK 3.6 billion for the first quarter. A Y/Y increase of 13% driven by ramp-up in generation from Borkum Riffgrund 2 and Walney Extension.

With the continued ramp-up in our offshore and onshore wind capacity, our green share of heat and power generation increased to 80% in Q1 up from 68% in Q1 last year. The increase once again underpins our commitment to a world that runs entirely on green energy and it brings us one step closer to our 2025 target where we aim to reach close to 100% green energy generation.

Yesterday, we took final investment decision on our 900MW Greater Changhua 1&2a project in Taiwan.

At the end of January, we obtained our establishment permit and over the last few weeks, we have secured the approval of our supply chain plan and signed the power purchase agreement with Taipower. The final investment decision marks a very important milestone for Ørsted as it is our first offshore wind investment decision outside of Europe.

We are pleased to have secured a high level of local content on the project which will offer significant support in the establishment of a new industry and create jobs and industrial development in Taiwan. At the same time, the project will deliver a solid risk return equation for Ørsted shareholders, which enables our board of directors to FID the project. The construction of the project will commence shortly and we expect the offshore wind farm to be fully completed in 2022.

In February, we entered into a joint venture with Total and Elicio and in March, the joint venture submitted a bid in the 600MW Dunkirk tender in France. In addition, we also participated in the Dutch zero subsidy tender for the 760MW Holland Coast South 3 & 4 offshore wind farm. If we are awarded the project in the Netherlands, we have already taken final investment decision and together with a partner, we will seek to establish a green hydrogen project based on power from our offshore wind farms in the Netherlands.
In addition to the two tenders in Europe, we are also awaiting the outcome of three US auctions. In October 2018, we bid into the zero carbon RFP in Rhode Island which could allocate up to 400MW to offshore wind.

Furthermore, we also participated in the 1,100MW New Jersey auction in December and the 800MW auction in New York in February.

We expect an outcome from all five tenders and auctions over the coming three months.

Yesterday, we also took final investment decision on the 338MW onshore wind farm, Sage Draw, and we expect to complete the tax equity funding and start construction of the project during this quarter with expected commissioning in Q1 2020.

Furthermore, we have entered into an agreement to acquire a subsidiary of US-based Coronal Energy. The subsidiary is a nationwide solar and storage developer with a significant pipeline of development projects of which 90MW have secured offtake agreements with utilities in mid-Atlantic and North East markets. The US solar market has a significant long-term growth potential and the acquisition further expands our capability platform and exposure to new attractive regional markets in the US.

In Customer Solutions, we entered into a 10-year fixed-price corporate PPA in February. Our counterpart, Northumbrian Water, will source 30% of its renewable energy demand from our UK offshore wind farm, Race Bank. The corporate PPA will reduce our merchant power price risk and it is the first corporate PPA from one of our offshore wind farms. The agreement marks an important milestone in our route-to-market strategy.

Turning to slide 4, where I will give an update on the key offshore construction projects currently in progress. The construction of the Hornsea 1 project is progressing according to plan and in February, we achieved first power. We have installed all substations and all of 174 foundations as well as 163 array cables and 51 turbines. We are on track to fully commission the project during the second half of the year. Once completed, Hornsea 1 will become the world’s largest offshore wind farm with a capacity of 1,218MW, almost double the capacity of Walney Extension which is currently the world’s largest offshore wind farm.

At the 752MW Borssele 1 & 2 project, the manufacturing of key components for the wind farm is progressing according to plan and we have started the construction of the O&M building in Vlissingen. The Dutch wind farm is expected to be completed in late 2020 or early 2021.

The Virginia EPC Demo Project remains well on track with all the key supply contracts signed. The offshore construction work is expected to begin during the second quarter 2020 and we expect to complete the project in the first half of 2021.

At the Hornsea 2 project, we continue the good progress and we have started the onshore construction work on the substation and export cable. The project is scheduled for completion in the first half of 2022. And as I mentioned earlier, we have taken final investment decision on the Greater Changhua 1&2a project and we will soon start construction.

Moving on to slide 5 and an update on construction projects outside offshore. Our onshore business has seen good progress on the construction projects. In February, we installed the first turbines at the Lockett onshore wind farm in Texas and at the turn of the quarter, we had installed 34 out of 75 turbines. The construction is progressing according to plan and we expect to commission the wind farm in the third quarter this year.
As mentioned earlier, we took final investment decision on the 338MW onshore wind farm Sage Draw yesterday and we expect to start construction later this quarter.

In Bioenergy, we are still well underway with the bioconversion of the Asnæs power station. The conversion is progressing according to plan with expected commissioning towards the end of this year. For several years, we have successfully converted our heat and power plants to use sustainable wood pellets and wood chips instead of fossil fuels and we are committed to stop the use of coal entirely from 2023. For the last unconverted CHP, the Esbjerg power station, we have not been able to find a solution with the heat customers for a bioconversion project. Consequently, we informed the heat customers in 2018 that we will close operations of the Esbjerg power station by the end of 2022. We have also notified the relevant authorities and are awaiting their final approval.

The development of our first Renescience plant in the UK is in its final phase. The adjustments to the plant layout to resolve the mechanical challenges of the sorting process will soon be completed and we expect final commissioning during the summer.

In Customer Solutions, we continue the installation of smart meters within our power distribution network. At the end of March, 854,000 smart meters had been replaced and taken into use and the project remains well on track.

Let us turn to slides 6, 7 and 8 and take a look at the latest market development and offshore wind opportunities across the various regions.

Starting in Massachusetts where the draft for the next 800MW RFP has been submitted for regulatory approval. The state’s second offshore wind auction will have a bid deadline in August this year and the solicitation will be another significant step to reach the ambition of 3.2GW by 2035.

We expect the outcome of the Massachusetts solicitation to be announced towards the end of 2019 or in the beginning of 2020.

As I mentioned in the beginning of the call, we submitted a bid in the New York solicitation and we expect an outcome to be announced shortly. The procurement of at least 800MW will be the first step towards New York’s target of 9GW of offshore wind capacity by 2035. Furthermore, we expect the Federal Agency BOEM to release two offshore lease areas of at least 800MW in 2019 with a lease auction taking place in early 2020.

Moving to Connecticut where legislation for procurement of 1-2GW of offshore wind has been introduced. We expect the next procurement to take place in the second half of 2019 but the framework and exact timing on this solicitation is yet to be announced.

Finally, Maryland General Assembly has passed the Clean Energy Jobs Act which will incentivise the development of 1.2GW of additional offshore wind capacity by 2030. The bill which aims to quadruple the state’s commitment to offshore wind is awaiting final approval from Governor Hogan.

In summary, we continue to see a strong development within offshore wind on the US East Coast with the expected outcome of New York, Rhode Island and New Jersey solicitations during the next few months as well as the solicitation in Massachusetts later this year, further lease areas released in New York and increased ambitions towards offshore wind in Connecticut and Maryland.

Turning to page 7 and the recent market developments in Europe where news has centred around the UK, Denmark, France and Poland. In the UK, the Crown Estate has refined its plan for the round 4 offshore wind leasing scheme which is set to take place after the summer 2019. The tender will cover up to 7GW of new lease areas and the lease terms have been increased to 60 years from 50 years.
Furthermore, a new tender requirement will be introduced to ensure that projects are awarded across a minimum of three sea bed regions in order to help facilitate greater geographic diversity.

In Denmark, we expect the upcoming tender of 800 to 1,000MW to be issued towards the end of this year with an expected outcome in 2021. The scope of the tender will include the construction of the offshore transmission assets, thus increasing the scope compared to previous tenders. We welcome this inclusion of the offshore transmission assets as part of the scope as the competition will ensure market-driven cost efficiency and innovation.

In France, the country’s final energy plan was announced in February highlighting that a fourth offshore wind tender will be taking place in 2020 with an expected capacity of 1GW.

Finally, Poland has further increased their offshore wind ambitions extending their offshore wind target from 8GW of capacity by 2035 to 10.3GW by 2040.

Moving on to page 8 and the market development in the Asia-Pacific region. As mentioned previously, we have taken final investment decision on our Greater Changhua 1&2a project which will be our first large-scale offshore wind project in APAC. In the meantime, our Formosa 1 joint venture continues to make good progress on the 120MW phase 2 of the project. The onshore construction work is progressing according to plan while the offshore construction is scheduled to begin later this month.

We are still awaiting news on potential future auctions in Taiwan. In Japan, the development supporting offshore keeps progressing with the passing of the offshore wind general sea law in November last year which allowed the government to allocate the rights to develop and build offshore wind in designated zones off the coast of Japan. In addition to the offshore wind general sea law, an auction evaluation guideline has been announced recently. Based on this draft framework, both price and experience will be part of the auction criteria and we could potentially see auctions as early as 2020 with an auction award potentially in 2021.

We continue to follow the development in South Korea closely, but currently we don’t have firm details regarding timing and framework of the first offshore wind auction.

This concludes the offshore market development review.

Let us turn to page 9 and the progress of our US onshore business. We remain very pleased with the development of our onshore business and the value creating growth opportunities it offers. We continue to expand our development portfolio and capabilities to create a strong North American platform within onshore wind, solar energy and energy storage.

With yesterday’s final investment decision on the Sage Draw project, the current operational and decided capacity total 1.3GW. In addition to these projects, we target a final investment decision on the Plum Creek wind project and our Permian Solar project during 2019 both of which have secured offtake contracts with blue chip counterparts.

Furthermore, we have recently increased the expected size of the Permian Solar project from 350MW to 400MW. The expected addition of the two projects will expectedly bring the total operational and decided capacity close to 2GW by the end of this year.
With the strong progress on the construction of projects as well as the continued development of our pipeline, we have good visibility on the 2.5GW ambition set for 2022 and we may be looking at an upside to that build-out.

With this, I will now pass on the word to Marianne.

**0.17.20 Marianne Wiinholt**

Thank you, Henrik and good morning also from me.

Let us start on slide 10 where I will go through the group’s financials for Q1 2019. In Q1 2019, we realised an EBITDA of DKK 5.1 billion. A decrease Y/Y of DKK 0.4 billion in line with our expectations. In offshore, earnings from our operating wind farms increased 13% and were offset by lower partnership earnings and higher project development costs.

Lincoln Clean Energy, which we acquired in October 2018, contributed with DKK 152 million in the quarter while Bioenergy was on par with last year’s results.

In Customer Solutions, earnings were down DKK 0.6 billion on Q1 2018 due to the positive outcome of a renegotiation in Q1 2018 as well as cyclically lower earnings from our gas portfolio activities. EBITDA in Q1 2019 was positively affected by DKK 149 million from the implementation of the new IFRS 16 accounting standard regarding leasing.

The net profit totalled DKK 2.6 billion, down from 3 billion in Q1 2018 driven by the lower EBITDA and higher depreciation from more wind farms in operation.

The increased depreciation was partly offset by our Danish power distribution and residential customer businesses being classified as assets held for sale by the end of 2018 and thus not depreciated in Q1 2019.

Furthermore, we realised a net financial income due to positive exchange rate adjustments. We implemented the new IFRS 16 standards regarding leasing per 1 January 2019. In accordance with the new standard, our operating leases have been recognised in the balance sheet and are now depreciated. The implementation of the IFRS 16 had a slightly negative effect on net profits with the higher depreciation and financial expenses being almost fully offset by the increased EBITDA from less expensed leasing charges.

Free cash flow from operations came in at a negative DKK 1.3 billion. A DKK 0.3 billion improvement Y/Y. Like last year, we decided to pay our expected Danish taxes for the year in March instead of November. In Q1 2019, paid taxed amounted to DKK 4.8 billion. Our gross investments for the quarter totalled DKK 3.9 billion of which DKK 3.3 billion was related to the build-out of our offshore and onshore wind farms.

The cash flow from divestments in Q1 2019 related to the receipt of deferred proceeds from the farm down of 50% of Hornsea 1 in 2018 as well as proceeds from the expansion of our strategic partnership with Eversource.

Turning to slide 11 and our net interest-bearing debt and financial ratios. Our net debt at the end of Q1 2019 amounted to DKK 9.1 billion. The DKK 11.3 billion increase reflected the negative cash flow as I just described as well as distribution of DKK 4.1 billion of dividends to our shareholders and the inclusion of operational lease obligations of DKK 5.2 billion in accordance with IFRS 16.
Our key metric FFO/Adjusted Net Debt stood at 46% in line with Q1 2018 and well above our target level of around 30%. Return on Capital Employed came in at 28%, a marginal increase compared to the same period last year. Q1 2019 was significantly impacted by the farm-down of Hornsea 1 whereas Q1 2018 was impacted by the farm downs of Walney Extension and Borkum Riffgrund 2.

Let us move to the results of the business units starting with Offshore on slide 12.

Power generation increased 0.1TWh compared to Q1 2018 due to the ramp-up of generation from Walney Extension and Borkum Riffgrund 2 of 0.3TWh. The positive effect from the ramp-up was partly offset by curtailments and outages of 0.2TWh for which we were partly compensated.

The availability across the portfolio was very good coming in at 96% for the quarter. Wind speeds for the quarter increased 0.1m/s Y/Y and amounted to an average of 10.4m/s. This was slightly above the normal wind speed for the quarter of 10.3m/s. We did however have significant differences between locations with higher wind speeds in Denmark and Germany being offset by lower wind speeds in the UK.

EBITDA for the quarter amounted to DKK 4 billion, which was the same as Q1 2018. Earnings from wind farms in operation increased DKK 0.4 billion due to the ramp-up of generation and DKK 0.1 billion impact from the implementation of IFRS 16.

The increase was partly offset by lower partnership earnings and higher project development costs.

The increased project development costs were mainly related to activities in the US and Taiwan. The delayed investment decision on Greater Changhua 1&2a means that we have expensed more product development costs in Q1 2019, costs which would have been part of CAPEX if we had taken FID at the time we originally expected.

Free cash flow amounted to DKK 0.5 billion in Q1 2019, an increase of DKK 0.7 billion mainly due to receipt of deferred proceeds from the 50% farm down of Hornsea 1 to GIP and the proceeds from the expansion of our New England partnership with Eversource.

Let us then turn to the result for Onshore on slide 13.

Onshore power generation reached 826GWh in Q1 2019 which was the first quarter with full generation from the Tahoka wind farm. The wind speed averaged 7.8m/s, which was below the normal wind speed of 8.3m/s for the quarter while we had high availability of 97% across the portfolio.

EBITDA came in at DKK 152 million for the quarter with earnings from operational wind farms and production tax credits contributing with DKK 216 million. This was partly offset by project development costs and other costs.

Free cash flow amounted to a negative DKK 0.6 billion primarily related to the investments in the construction of Sage Draw and Lockett as well as the contingent payment to our turbine supplier of Tahoka.

Turning to page 14 covering the results in Bioenergy.

EBITDA came in at DKK 435 million in line with Q1 2018. In Q1 2019, earnings from heat generation were slightly lower than last year due to warmer weather. Earnings from power generation were
above Q1 2018 due to the reversal of a provision but was partly offset by lower spreads and lower power generation.

Free cash flows in Q1 2019 amounted to negative DKK 0.1 billion, a decrease of DKK 0.5 billion. This was driven by higher inventories and lower outstanding VAT due to the lower generation in Q1 2019.

Turning to slide 15 covering the results in Customer Solutions.

The EBITDA for Q1 2019 was significantly down Y/Y with a decrease of DKK 0.6 billion. The lower results were mainly related to the gas portfolio activities within our markets division where we saw a decline in earnings from DKK 794 million in Q1 2018 to DKK 261 million this quarter.

The significant decline was due to several factors. In Q1 2018, we were awarded a one-off compensation following the completion of renegotiation of a gas purchase contract. The substantial drop in gas prices during Q1 2019 resulted in fewer gas volumes sold which we instead kept at storage. The lower gas price led to a decrease in the accounting value of our gas inventories and thus a temporary negative EBITDA impact in the quarter.

The negative impact will be partly offset if the gas price increases again or if we sell the gas later in 2019 and 2020 as we have hedged most of our gas margins.

Additionally, we saw lower earnings from our portfolio optimisation activities where Q1 2018 was positively impacted by the cold spell. These negative effects were partly offset by high earnings related to our trading of our financial energy exposures in Q1 2019.

Despite the decline versus Q1 2018, the Q1 2019 result for markets was above expectations. Free cash flow for the quarter decreased by DKK 0.7 billion due to the lower EBITDA and higher gas volumes at our storages.

As you know, we announced our plans to divest our Danish power distribution residential customers and City Light businesses in 2018 as we do not consider Ørsted the best long-term owner of these businesses.

We still expect to sign divestments towards the end of the year and we continue the separation of the businesses from the rest of the group.

Slide 16 shows our 2019 guidance and our long-term financial estimates and policies. Our 2019 EBITDA guidance is unchanged relative to our guidance in the annual report for 2018 and we expect EBITDA excluding new partnership agreements to be between DKK 15.5 and 16.5 billion.

Our gross investments guidance is also unchanged and our gross investments are expected to amount to between DKK 21 and 23 billion.

Our targets for our financial estimates and financial policies are in line with what we presented at the Capital Markets Day in November 2018 and in our annual report for 2018.

With that, we will now open up for Q&A. Operator, please.
0.30.15 Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please dial 01 on your telephone keypad now to enter the queue. Once your name is announced you can ask your question. If you find it is answered before it is your turn to speak, you can dial 02 to cancel. So once again, that is 01 to ask a question or 02 if you need to cancel.

Our first question comes from Kristian Johansen of Danske Bank. Please go ahead, your line is open.

0.30.47 Kristian Johansen

Thank you so my first question is on the Greater Changhua 1&2a project. Now that you have taken FID, I assume you have a much clearer picture on what the exact return impact from the lower PPA level and also this delay we have seen so can you elaborate a bit on this?

0.31.09 Henrik Poulsen

Yes, thank you Kristian. Of course, we now have an updated view on the business case that we FID'ed yesterday in the board meeting. We obviously know exactly the impact from the revised terms for the 2019 PPA and at the same time, as you know, we have been spending the past couple of months working with our suppliers in the region and elsewhere to recalibrate the terms and conditions of the different major supply contracts and all in all, these impacts to a wide extent have had offsetting impact on the business case so we are still quite comfortable with the risk return equation of the business case. We feel it is a balanced and solid business case for us.

0.32.04 Kristian Johansen

Alright, so only a minor return impact, is that what you are saying?

Henrik Poulsen

I would rather not start getting very specific on the exact return impact. It is quite clear that we have had a negative impact from the 2019 PPA being at a lower price than 2018. On the other hand, we have had some positive impacts from renegotiating a number of supply contacts. We don’t see an impact from any delay, we don’t expect a delay to the project per se so that is not an impact on the business case and all in all, we are still left with the business case which we find to be reasonable and balanced and also reflecting the risk profile of the project and the task we have at hand in terms of being the first to go in and start building and maturing a new local supply chain that needs to be compensated and we feel that it is reasonably compensated in the business case.

0.33.05 Kristian Johansen

Alright, that is quite clear. Then my second question is on the same project just in terms of your considerations around a farm-down in terms of timing and the process how it will be compared to what you have done previously?
Henrik Poulsen

We would expect the farm-down in Taiwan to be well on track during next year so we will still expect a transaction to take place during 2020.

Kristian Johansen

And you are still aiming for a 50% divestment as you have done before?

Henrik Poulsen

That is still our expectation, yes.

Kristian Johansen

Clear. Great. Then my last question is just on this availability in offshore wind of 96% which is extremely high. Can you just elaborate a bit on what has driven this?

Henrik Poulsen

Well, I mean, you know we have simply just had very strong availability across the entire portfolio. We are obviously investing a lot into a number of initiatives that will help drive up availability on the assets, we are investing a lot into a number of new digital tools to improve our pre-emptive maintenance on the turbines and over time we should expect these investments into these digital tools to also support a strong availability. Furthermore, we have seen very strong availability on the most recent assets added to the operating portfolio so Race Bank, Walney Extension, Burbo Bank Extension, we have generally seen very strong availability even during the early ramp-up of these assets, which obviously has been encouraging.

Kristian Johansen

Excellent. Thank you very much, that was all from me.

Operator

Thank you. Our next question comes from the line of Jenny Ping at Citi. Please go ahead, your line is open.

Jenny Ping

Hi, good morning. Just two questions please. Firstly on Hornsea 1, can you remind us in your 15.5-16.5 EBITDA guidance, have you given a precise timeframe in which Hornsea 1 comes into operations for the group EBITDA to fall within that guidance range? And also, have you seen an increase rollout of the turbines as a result of the low wind speeds in Q1 and ytd? And then secondly, just to clarify the
Coronal Energy transaction you have done, presumably it is very small, have you given out a price and also the potential size of the asset pipeline? Thanks.

0.36.05 Henrik Poulsen

Thanks, Jenny. When it comes to Hornsea 1, we haven’t been more precise than saying that we expect completion and COD during the second half of this year and we would still rather prefer to keep it like that so sometime during the second half which is also what will support the guidance so we are still quite comfortable with the completion timeline and its ability to support the EBITDA guidance. The turbine installation is progressing very well and overall, I would just say it is on track. I would rather not start sort of saying that we are ahead of track because of the weather being benign. I will just say that the project is well on track and we are quite comfortable with its ability to support our guidance. When it comes to the Coronal development acquisition, it is a relatively small acquisition. We are looking at a USD million amount in the low double digits just to give you an indication of where we are. And in that number, you have a couple of contracted projects to the tune of 90MW, contracted with very solid counterparts basically being Mid-Atlantic, North-East utility off-takers. And furthermore, there is of course an extensive development pipeline of different degrees of maturity and that is what we are now over the coming months and quarters going to further progress, mature and take a view on exactly which one of those projects we would start moving forward towards commercialization.

0.38.08 Marianne Wiinholt

And perhaps while we talk about Hornsea 1, just one add-on. While we expect to get full production during second half, this CfD contract, there will be three times start of CfD contracts for the first 400MW that will be here probably in May that that will come into effect and then for the next 400MW, it will be in Q1 2020 and for the third 400MW, it will be in Q1 2021.

0.38.43 Jenny Ping

Okay, so the power produced without the CfD would just be at whatever market...

Marianne Wiinholt

Spot prices yes and actually, we have already hedged it, so..

Jenny Ping

Okay. And sorry, just two follow-up questions. The 51 turbine that you mention in your presentation for Hornsea 1, as at end of Q1 or as at now?

Henrik Poulsen

As at now
Jenny Ping

As at now. Okay. Perfect, thank you very much.

0.39.16 Operator

Thank you and our next question comes from the line of Deepa Venkateswaran of Bernstein. Please go ahead, your line is open.

Deepa Venkateswaran

Thank you. I have three questions. Firstly on Taiwan. Henrik, you mentioned that you are quite happy with these offsets because of your renegotiations. Are you able to comment therefore on what is your expectation on CAPEX? Because at the CMD of course you hadn’t done these renegotiations. So that would be helpful. Secondly, I wanted to ask you a bit more about your Netherlands subsidy fee proposal, could you throw in a bit more light on especially the green hydrogen park, you mentioned something about having a partner, maybe would you be able to talk about that? And secondly, are you also expecting a corporate PPA for just a hydrogen park or the overall? And then lastly on Hornsea 1, Marianne, sorry, I didn’t catch the last thing that you just said in response to Jenny’s question so you are expecting the first 400MW to get the CfD from May 2020 and then we should assume every year? Or I was under the impression that you get it immediately for the first 400 and then subsequently for the other 400 in 2020 April and then 2021. But maybe if you could just clarify that again. Thank you.

0.40.42 Henrik Poulsen

Thank you, Deepa. Let’s start with the Hornsea 1.

Marianne Wiinholt

Yeah, I will start with the Hornsea. I said the first 400 will be May this year, May 2019. Then the next 400 will be first quarter 2020 and the last part, first quarter 2021.

0.40.59 Deepa Venkateswaran

Okay, very clear, okay. So, a part of what is commissioned now will get a CfD before one part of the capacity should get the CfD. Thank you.

0.41.07 Henrik Poulsen

Deepa, regarding Taiwan, we at the Capital Markets Day gave a relatively clear indication on where we are with the CAPEX in terms of CAPEX per MW and that is still where we are, that is still our view on the expected CAPEX for Changhua 1&2a and that of course was a number excluding the OFTO and there will be an OFTO transmission asset investment on top of that number which will not be dissimilar from what you would expect in the UK in terms of the OFTO CAPEX ratio of the total CAPEX investment so that gives you sort of an indication as to where we are in Taiwan.
0.41.53 Deepa Venkateswaran

Sorry Henrik if I may just ask you, how would that be consistent with the first answer that you gave that you are broadly happy with the offsets between the lower FID and the CAPEX? That would suggest that obviously the FID has fallen worse than your expectation in November last year so would that not mean that the CAPEX has to come down all else being equal?

Henrik Poulsen

I mean, we have been edging out improvements in a number of supply contracts and that has obviously given us some savings compared to the original case but in order for that to materially change our guidance on CAPEX per MW, I would be reluctant because then I start to get extremely specific in order to account for those improvements in the supply contracts. So rather than changing what we said at the CMD, I would just say that we have seen some improvements, it doesn’t give me reason to change our guidance at the CMD, I would just say we have seen improvements that are offsetting a good chunk of the PPA change and that still leaves us with what we consider a pretty robust business case on a risk adjusted basis.

0.43.07 Deepa Venkateswaran

Okay, thank you.

Henrik Poulsen

If we move to the Netherlands and the green hydrogen project, we have signed a letter of intent on this project in case we were awarded the project. It is a project where we would of course invest in green hydrogen production, in this case for industrial use so that means it would be green hydrogen replacing black hydrogen in the production of different types of industrial products, chemicals. I think that is probably as far as I can go right now. Obviously, should we get the award, we would be able at that point to provide further details on this green hydrogen project. On top of that, we would of course go out and negotiate additional corporate PPAs on other parts of the volume from the project, the green hydrogen project would take up a certain part of the production but of course we would still pursue corporate PPAs for other parts of the total volume.

0.44.22 Deepa Venkateswaran

Okay, thank you.

Operator

Thank you. Our next question comes from the line of Peter Bisztyga of Bank of America Merrill Lynch. Please go ahead, your line is open.

0.44.33 Peter Bisztyga
Yeah, good morning, three questions from me as well if I may. First one, just a clarification on the guidance you gave at your Capital Markets Day vis-à-vis construction agreement revenues of 2.6-2.7 billion and also project development costs of 1.8 billion, are you still comfortable with that following the first quarter result? My second question, just a quick follow-up on Taiwan and the farm-down process. Are you looking for a financial partner here or are you looking for an industrial counterparty? And then finally on the Race Bank PPA, can you give us sort of any indication of price levels for that and are you looking at corporate PPAs for any other parts of your currently sort of merchant offshore fleet in the UK?

0.45.33 Henrik Poulsen

Thanks Peter. Let me start just on the guidance provided on the construction gains and the DEVEX that we would expect for 2019. Those are numbers that we still stand by. When it comes to Taiwan, obviously we do not have visibility on exactly who that buyer will be in the farm-down process. If I were to guess right now, I would expect a financial buyer to be more likely than an industrial buyer. When it comes to the Race Bank PPA, I cannot give you the exact price of the Northumbrian Water PPA but we will of course continue to look for corporate PPAs that will help offset any merchant risk we have across our portfolio in Europe, not only the UK but obviously also in the Netherlands and also for potential future German FIDs.

0.46.44 Peter Bisztyga

Great. Thanks very much.

Operator

Thank you. Our next question comes from the line of Mark Freshney of Credit Suisse. Please go ahead, your line is open.

0.46.57 Mark Freshney

Hi, yes, can I please ask two questions? Firstly, I mean you are still tendering for projects but how far away do you think you are from sanctioning an offshore wind project without a PPA? And I guess, Race Bank would potentially be the first candidate. Do you think it’s possible that the extension for that you could next year potentially build it on the basis of a corporate PPA? And secondly, if I may, just a question on the UK operating assets. You still have a very large exposure to the UK, three quarters of your current business. I am sure that you get lots of proactive approaches to completely buy out existing wind farms or people looking to take stakes and things at Hornsea 2 and even Borssele. Would you revise your plans not to farm down those projects if the right offers came along?

0.48.08 Henrik Poulsen

Thanks, Mark. When it comes to sanctioning the first potential full merchant project, you could say the lead candidate would be the Holland Coast South 3&4 project where we submitted a bid into the tender in mid-March and at the same time, the Board of Directors made the final investment decision. So you could say if we get that project awarded, we have already made the FID. So that would
essentially become our first FID on a full merchant project. As we discussed earlier, we already have progressed a number of initiatives to offset that merchant risk through contracts, be it traditional corporate PPAs or, as we discussed, a PPA going into green hydrogen production. So that would be the first such example. When it comes to potential additional farm-downs, we have no such plans above and beyond the Taiwan farm-down next year. One should never say never. It is not like I am going to issue a guarantee that we would never again farm down in the European portfolio. All I can say is that we have no such plans at the moment. Of course, we are open for very attractive offers at any given point in time but we don’t have a need for farming down and therefore, it would indeed have to be a farm-down opportunity that would add substantial incremental value in its own right.

**Mark Freshney**

Okay, thank you.

**Operator**

Thank you. Our next question comes from the line of Sam Arie of UBS. Please go ahead, your line is open.

**Sam Arie**

Hi, good morning, thank you for the presentation and I think I ought to say congratulations on another great set of results. I am making a habit of saying that so I am not going to stop now but very good to see. My questions are just firstly, you made a good comment about the good disposals still going ahead this year but your kind of commentary on that was quite high level, I just wondered if you could give us a bit more colour on sort of where we are in that, the prospects for getting political support for a buyer and basically if you have got a solution now on the table or if there is still a bit of a debate there on exactly what would be agreed and any risk on getting that approved by the end of the year. And then secondly, I wanted to just take a minute on your slide 19, which I think is very helpful, and just set aside your capacity and so on, what the start is showing is you have got 8GW already installed but a total of 17 including all the awarded and in construction sites. So, I just wanted to tie that back to your sort of broad guidance for 2030 of 30+ GW which I think was your guidance for constructed renewables. So I think I am understanding your 8GW if you hit that 30+ target becomes 30 in 2030 but you know unless the global renewables market kind of suddenly falls off a cliff and I am guessing that is probably not your essential scenario then it seems fair to assume your installed and in construction and awarded projects is more likely to be in the 40-50GW range by 2030 assuming just a run rate of 2 or 3GW a project that you add to that per annum which is about half of what you added in the last year according to slide 19. So can I check that logic is correct in particular the 40-50 GW number for end of the next decade? Thank you.

**Henrik Poulsen**

Thank you, Sam, so much. On the grid disposal, we obviously discontinued the project that we had going earlier and we have spent the past couple of months just sort of putting that to bed and then taking a look at what are our options and obviously also just taking a fresh look at the political signals that we also have to take into account here. It is quite clear that there is no opposition politically to us disposing these assets; in fact I think there is broad political support that we should divest the assets. We are basically expecting to relaunch the process and run it during the second half of this year. Obviously, we are well prepared given that we had everything up and running and
all of the materials and the data rooms etc. had been prepared so we are well prepared for running a relatively focused process once we get probably beyond the summer holidays, so our expectation would still be that we should be able to sign transactions towards the end of 2019. So that is still where we are. So we are relatively comfortable that we can execute these transactions as expected. When it comes to the build-out target for 2030, I share your view that the global growth opportunity is very, very significant across regions, across technologies. We have said 30+ GW by 2030 of installed capacity. I am not going to change that number today; you would probably be surprised if I did. I would just say that at the Capital Markets Day in November, we said 30+ and we stick to that number. We still believe that 30+ is a very comfortable number for the company and we have, we believe, a certain amount of visibility, as we also try to outline on page 19, on how we are going to get well on our way towards that number. So I am not going to change the number. I share your optimism as to the global growth opportunity but we will take it one step at a time and for now, we feel 30+ is a good number.

0.54.23 Sam Arie

Okay, thank you. So, just to be clear, the 30+ is comparable to the 8 today and the 17 today as a bottom of 2018-2019 it is up to us to take a view of where that number could go but sort of almost by definition it has to be quite far ahead of the 30?

Henrik Poulsen

That is correct, Sam, yes.

Sam Arie

Good. Thank you, thank you for your answers.

Henrik Poulsen

Thank you.

0.54.57 Operator

Thank you. Our next question comes from the line of Marcus Bellander of Nordea. Please go ahead, your line is open.

Marcus Bellander

Yes, thank you. One question from me. The acquisition of Coronal Energy, I was wondering if you could talk a little bit about the strategy, the price behind that, is this your planting a new seed for a new business area kind of like you did with the onshore division or is it more of a way of complementing or completing the onshore business in the US? I mean, there are quite a few hybrid projects surfacing at the moment. So I am just wondering how you are sort of framing that acquisition.
0.55.49 Henrik Poulsen

Yeah, thanks Marcus. Again, it is the development unit of Coronal Energy, it is a very experienced, arguably one of the most experienced and successful solar and storage development teams in the US that we essentially have acquired together with the pipeline and we very much see it as complementary to the acquisition of Lincoln Clean Energy last year. Lincoln Clean Energy is progressing very well and in fact ahead of our expectations at the moment and we believe the combination of onshore wind, solar PV and storage gives us a very strong platform for long-term growth in the US and it adds to the capability that we already acquired through Lincoln. The Coronal solar and storage development team will be merged into the Lincoln platform, also organisationally, and to the point you made, we do see a future where demand from major corporate PPA off-takers increasingly will focus on having more of a 24/7 green load profile where we should be able to combine the complementary load profiles of solar PV and onshore wind and overlaying storage to further build a more smooth, around the clock green load profile for our major corporate customers. We believe that is going to be part of the future in the US and elsewhere and you should see this acquisition in the light of that strategic market development.

0.57.33 Marcus Bellander

Alright, that is very clear, thank you.

Operator

Thank you. Our next question comes from the line of Iain Turner of Exane. Please go ahead, your line is open.

Iain Turner

Morning everybody. Can I just ask you again about Hornsea 1? If I look in ELEXON, I can see that there is a 400MW offshore substation connecting up into the system. So does that mean that all of those turbines that you have said are now complete are actually generating? And if they are, when do you think you get to the 400MW under the first tranche of the CfD?

0.58.15 Henrik Poulsen

Yes. The turbines installed are generating power and the first tranche of the CfD will kick in during this month, during May 2019.

Iain Turner

Thank you
Operator

Thank you. Once again, if there are any further questions, please dial 01 on your telephone keypads now.

Okay, we have one further question coming through at this time, that is from Klaus Kehl of Nykredit Markets. Please go ahead, your line is open.

0.58.55 Klaus Kehl

Yes hello, two questions from my side. Could you talk a little bit about the competition in the ongoing auctions around the world and perhaps talk a little bit about whether you are seeing a more aggressive approach from for instance the oil companies which recently have become a little bit greener than they used to be? And secondly, could you give us your thoughts about the US onshore market going forward and what I am thinking about is that if you were to add new projects, then you would have to do that with a much lower PTC level so how would that affect the profitability levels and would it still be interesting for you to add new projects? That would be my two questions.

0.59.51 Henrik Poulsen

Thanks Klaus. On the competition, I mean, it is quite clear that we see different competitive structures in the different regions and markets around the world. If you go to Taiwan, you will find one set of competitors, if you go to certain European markets, you would see differences, even just between the UK and mainland Europe and then moving onto the US, you will have a whole third picture. In the US, it is quite evident that the oil majors have decided to enter the market, most notably Shell and Equinor so far. So clearly, they are showing their determination to move into offshore wind and quite clearly, the auction outcomes in the US over the next few months will be a first indicator as to how that is going to play out, so obviously too early to tell, we will be holding our breath like everybody else to see the outcome from New York and New Jersey not least so we have some exciting months ahead of us here. But no doubt, competition is going up but at the end of the day, we should not forget that so is global demand. We continue to see a significant expansion of the global offshore wind market so you should see, let’s say the supply from more players entering the market also being matched by a significant ongoing increase in global demand for offshore wind.

When it comes to US onshore, we are still building 100% PTC projects at the moment, that also includes the Sage Draw FID yesterday. We have a pipeline of 60-80% PTC projects still to be built towards 2022 so for the next few years, we will be building projects with between 60 and 100% PTC support. Beyond the PTC expiry, there is no doubt that the market will need to go through a realignment. Right now, corporate PPAs are being struck at prices that are very low and, I will claim, are very attractive to the corporations buying green power at very low prices due to the PTC support. Over time, we should see the PTC support being, as it disappears, should be offset by a realignment of the price on corporate PPAs as well as the continued reduction in cost of electricity on onshore wind. So I am still firmly convinced that onshore wind fundamentally is a hugely competitive technology from a cost of electricity point of view long term and I also have no doubt that there will continue to be a strong market in the US, also beyond PTC.

1.02.48 Klaus Kehl

Okay, thank you.
Operator

And we have one further question coming for you, that is from Virginia Sanz of Santander. Please go ahead, your line is open.

1.02.58 Virginia Sanz

No, sorry, my questions have been answered already. Thank you.

Operator

No problem. And as there are no further questions at this time, I will hand back to our speakers for the closing comments.

Henrik Poulson

Alright. So this concludes the earnings call. Thank you all very much for joining and have a continued great day.