

Ørsted Investor Presentation

Q1 2021 Transcription

Mads Nipper

Thank you and good afternoon everyone and welcome to the Q1 earnings call. During the first quarter of 2021, we have made strong strategic progress across the entire company and with this momentum we achieved several milestones. Furthermore, we saw good operational performance during the quarter.

Starting out with Poland, we achieved a significant milestone when the Polish Energy Regulatory Office awarded the Baltica 2 & 3 projects Contracts for Difference. The two projects are part of our 50/50 partnership with Polish utility PGE and have a total potential capacity of up to 2.5 gigawatts. The CfDs will have a maximum subsidy of 319.6 złoty per megawatt hour, with the exact subsidy expected to be settled within 12 to 15 months as the CfD award is subject to final approval from the European Commission.

Expanding our footprint in Poland, who has laid out an ambitious renewable buildout target for the coming years, is an important strategic milestone for our ambitions in Continental Europe. The award in Poland brings our total capacity within offshore wind portfolio to 17.4 gigawatts.

On the back of a structured divestment process, we signed an agreement to farm down 50% of our Dutch Borssele 1 & 2 offshore wind farm to Norges Bank Investment Management. Closing of the deal is expected around this summer where we at the same time will receive the proceeds of approximately DKK 10.2 billion. Ørsted will continue to provide long term operations and maintenance services from our O&M base at the port of Vlissingen in the Netherlands, and we will also provide NBIM with balancing services and a long-term route to market for the renewable electricity generated.

We further strengthened our global position and future opportunities within offshore wind through two strategic partnerships. In the Baltics we signed a Memorandum of Understanding with Enefit, the leading utility in the Baltics. This MoU offers a green path forward to develop offshore wind energy in the Baltic States and jointly move forward towards delivering large scale offshore wind farm in the Gulf of Riga before 2030.

In Denmark, we entered a partnership with Danish pension fund ATP, with the intention to participate in the upcoming auction for the Danish Energy Island in the North Sea. Together with ATP, we would like to build on our strong industrial and financial competences and contribute to the development of the green transformation and renewable energy infrastructure in Denmark.

Over the past year, we have seen rapid progress within our renewable hydrogen efforts and the latest quarter has not been an exception. We announced our SeaH2Land vision, where we – supported by Yara, ArcelorMittal, Dow Benelux, Zeeland Refinery, SDR and North Sea Port – will be working on decarbonizing the production of ammonia, steel and other products in the Netherlands and Belgium.

This will happen by linking gigawatt-scale electrolysis to large industrial demand through an envisaged regional cross-border pipeline. The SeaH2Land vision includes a renewable hydrogen production facility of one gigawatt, connected directly to a new two gigawatt offshore wind farm in the Dutch North Sea, both to be developed and owned by Ørsted.

The region is one of the most hydrogen intensive in Europe and if realised, the SeaH2Land project can convert about 20% of the current hydrogen consumption in the region to renewable hydrogen. This opportunity brings our total number of announced hydrogen projects to nine.

Our onshore business also continues its strong momentum with currently four gigawatts of onshore capacity in operation and under construction, spanning Texas, the Midwest and South East US across wind, solar and storage. We are building at scale and our recent expansion has ranked us among the top five US constructors in terms of capacity additions since 2017.

On the back of the very strong expansion and execution in the US, we signed an agreement to acquire a European onshore wind platform in Ireland and the UK through the acquisition of Brookfield Renewable Ireland. I will go through the acquisition in more details on the next slide.

During mid-February, Texas was subject to an unprecedented winter storm, which not only challenged our business, but all communities affected. The cold weather was accompanied by surging power prices as generation capacity across the state failed in the tough conditions. Keeping our employees, contractors, and the communities in which we operate safe was our main priority during this event. Our trading department managed to a great extent to mitigate the potential losses on our two so-called fixed rate contracts, which commits us to deliver power independent of actual power generation.

Also, great efforts from our technical teams went into keeping our assets operational despite the extreme weather conditions. Our ability to navigate the business under these difficult circumstances is a testament to our agile operations setup. All in all, we came through the event with no significant impact on our earnings.

We will further advance our build out of renewable onshore capacity in the US and in Q1, we took final investment decisions on the Helena Energy Centre in South Texas. This project is our largest onshore project to date with 268 megawatts wind and 250 megawatts solar PV capacity. The solar PV phase is qualified for 30% ITC and the wind phase for 80% PTC. The hybrid nature of this project allows Ørsted to maximise the use of the excellent location in an area characterised by strong coastal wind and sunshine. The project, which is suspected to be operational in the first half of 2022, has secured contracts with multiple corporate offtakers, including Henkel for a portion of the wind generation and Target Corporation for a portion of the solar generation.

Back to offshore, we have discovered an array cable issue on several offshore wind farms across the UK and Continental Europe, for which we have made a warranty provision to cover potential costs towards partners. We've immediately started a further review of the potential issue at the individual wind farms and have identified a two-phased remediation approach.

Our early assessment of the cable protection system issue points to a total financial impact of around DKK 3 billion from 2021 to 2023, which Marianne will discuss in further detail.

Throughout Q1 2021, we had strong operational performance of the Group with solid availability rates, better than expected performance from our CHP plants, and additional earnings from finalised construction projects. We are therefore able to maintain our full year guidance despite the negative impact from the warranty provision.

On a final note, I wanted to highlight how excited we are that we have been included in the inaugural TIME 100 most influential companies list. The world must halve the global emissions by 2030 and companies play a crucial role in the much-needed acceleration of climate action. At Ørsted, we strive to be a catalyst for change as we deploy renewable energy at scale to help governments and companies around the world to transition to green energy. Therefore, we are very proud to be recognised for our contribution to speeding up the global transition to green energy.

Now, turning to **slide four** and the acquisition of Brookfield Renewable Ireland. With this acquisition of Brookfield Renewable Ireland, we have acquired a fully-functional standalone business with a sizable and attractive operating portfolio, a high-quality development pipeline and a strong team of more than 70 professionals. The portfolio comprises 327 megawatts in operation, 62 megawatts under construction, 149 megawatts of advanced development projects, and a development pipeline of more than one gigawatt of mainly onshore wind projects in Ireland and the UK.

The acquisition will expand our business platform in Europe and provide us with additional access to customers, partners, and talent, as well as a deeper insight into market and regulatory dynamics – all of which will provide additional critical mass to our global presence. We have carried out an extensive assessment of the European onshore market and have assessed multiple onshore targets across Europe, and we do believe to have found the best fit, as BRI offers a platform with a competitively advantaged position driven by its development pipeline, its operating portfolio, and its very strong team.

Through BRI, we get the capabilities and expertise to support a broader growth into other European onshore markets, which offers substantial medium to long-term growth opportunities. With our strong onshore foothold in the US, we see this as a good time to expand into Europe. The expansion will not dilute our focus on maximising value creation growth in the US, which remains our dominant onshore growth engine.

Our strategic ambition is to further strengthen our position in North America by building a diverse onshore wind and solar PV portfolio. Further, it does not dilute our focus on being the leading offshore wind developer. All in all, this acquisition is an important strategic milestone for the Ørsted Group, and it's a natural next step for Ørsted in our vision of creating a world that runs entirely on green energy.

Now, turning to **slide five and six** where I will give a short update on our construction projects within offshore and onshore. At both our offshore wind construction projects, Hornsea 2 and Greater Changhua 1 & 2a, the construction work continues according to schedule. At Hornsea 2, onshore and offshore construction work is ongoing and 71 out of 165 foundations are now installed at sea.

And our Greater Changhua 1 & 2a project, we have kicked off the horizontal directional drilling to prepare for cable laying and scour protection works to make the seabed ready for foundation installation. We are progressing well with the associated onshore construction, including completing the civil works of the two onshore substation main buildings and the upgrade work of the hinterland at the Port of Taichung for storing key components for offshore installation.

The offshore construction will be supported by a wide range of marine engineering, vessel supplies, and personnel from home and abroad. It's estimated that during peak times there will be more than 25 vessels mobilised, including crew transfer vessels, installation and support vessels, service operation vessels, and guard vessels, as well as 500 to 800 people working at sea.

Let's turn to **slide six** for an update on our onshore construction portfolio. And I have to just say that we continue to see good progress on our construction projects in our onshore business and during the next two quarters we expect to commission our first two large-scale solar PV projects – Permian Energy Centre and Muscle Shoals.

In Q2, we expect to energise Western Trail and start to deliver turbines at Haystack. And with Old 300 and Helena Energy Centre on track as well, we are on our way to have four gigawatt commissioned by Q2 of 2022 in the US alone, nearly our full 2025 ambition of five gigawatts.

Let's now move on to **slide seven** and an update on upcoming auctions and market developments. We see great momentum on the heels of President Biden's March 29th set of offshore wind announcements, where the Biden administration announced a new offshore wind target for the US of 30 gigawatts by 2030, as well as a comprehensive financial support scheme.

We are excited about the announcement of the Notice of Intent for our Ocean Wind project and the signing of a Memorandum of Agreement between us and the National Oceanic and Atmospheric Administration to share physical and biological data in Ørsted-leased waters. We also expect the Biden administration to move swiftly on issuing the next NOIs, and we expect to receive the NOI for our Revolution Wind project imminently.

We are closely tracking the mechanisms and incentives that are being proposed to reach President Biden's target of 100% emissions-free electricity sector by 2035 as they could provide and support Ørsted's US growth even further. These include the expansive green energy tax package being considered by Congress, a clean energy standard, and a potential infrastructure package. The outcome of the legislative and executive level still remains to be seen, but it is clear that the administration is driving forward offshore wind at a very accelerated pace.

For our 1.1 gigawatt Ocean Wind project, we have closed the agreement with PSEG to sell a 25% ownership interest and we are delighted to officially confirm our partnership with PSEG on Ocean Wind. We recently submitted our best and final offer as part of New Jersey's second offshore wind solicitation, and we have submitted a bid that reemphasises our commitment to manufacturing in New Jersey while making sure that all New Jersey communities benefit from the opportunities that this new industry presence. We look forward to hearing the New Jersey Board of Public Utilities' announcement in the coming months.

The busy US auction calendar continues into 2021, and we expect additional auctions in Rhode Island, Massachusetts, Maryland, and potentially Connecticut.

Now, looking towards Asia Pacific. Japan opened its first auction in November 2020 for the Choshi, Noshiro, Yurihonjo North and Yurihonjo South promotion areas. The deadline for bid submission has been scheduled for May 27 and awards are expected in the second half of 2021. The auction comprises a capacity of 1.5 gigawatts split between the four zones and is an important first step for Japan to achieve its target of 10 gigawatts of offshore wind by 2030.

In Vietnam, we have opened our first office in Hanoi where we are looking to build a local team and work diligently with government authorities and local partners. Vietnam has a great potential and optimal conditions to develop offshore wind and we are excited to be making our first steps in this market.

Moving on to the recent developments in Europe. In the UK, we do expect the fourth CfD round to open towards the end of 2021 where we can participate with our Hornsea 3 project, which has a capacity of at least 2.4 gigawatts and was granted consent in December of 2020. Based on the outcome of the recent UK lease auction, Crown Estate Scotland concluded an updated criteria for their first Scot Wind seabed leasing round. Applications for the 10 gigawatts are due mid-July this year and we expect to participate in the seabed lease auction.

In addition to this, we expect that France, Denmark, Netherlands, and Germany will kick off competitive tenders during 2021. Clearly, 2021 offers a large number of opportunities in terms of offshore wind auctions and tenders, and we continue to work tirelessly to ensure we position ourselves as a strong competitor and ensure that we secure our fair share of capacity whilst not compromising the value creation.

We've already seen success in the start of 2021, as we have secured capacity in Poland, formed a number of partnerships for future growth within offshore wind, found an attractive and meaningful way to enter the European onshore market, and we added our largest US onshore project to date to our portfolio.

And with this, I will now hand over the word to Marianne.

Marianne Wiinholt

Thank you, Mads, and good afternoon from me too. I will start out by going through the warranty provision related to the cable protection issue before turning to our Group's financials.

During a cable inspection campaign at our Race Bank offshore wind farm, we discovered an array cable failure that was caused by an issue with the cable protection system. The issue occurs when the cable protection system moves across the scour protection, which are the rocks placed that prevents seabed erosion around the foundations. This can abrade the cable protection system and in worst case cause the cables to fail.

As the cable protection system design was the common solution for several years, we currently assessed that the issue could impact up to 10 of our offshore wind farms across the UK and Continental Europe. It should be noted that at some of those wind farms – the risk could be related to only a handful of cable protection systems. So, even though we mentioned up to 10 wind farms being at risk, the extent of the risk varies across the wind farms and further engineering work is being undertaken to define our understanding.

The cable protection system design has been updated, so we won't expect to see impacts of this on what we are currently constructing or developing.

We are taking proactive measures to ensure the long-term integrity of our assets by engaging in a two-phased approach. Phase One will seek to stabilise the cable protection system to prevent further degradation and will be undertaken in 2021, while Phase Two will be repairing or replacing damaged cables and is likely to be undertaken in 2022 to 2023. The stabilisation will deliver the optimal value risk management in the short term to prevent further damage and can likely eliminate the need to repair or replace most of the less damaged cables in Phase Two.

Further, we expect limited production downtime from the stabilisation activities. Our early assessment is a total financial impact of around 3 billion DKK across 2021 to 2023, with the largest part of the cash outflows

in 2022 and 2023. And we have made a warranty provision of 0.8 billion DKK to cover potential costs towards our partners.

We expect that the largest cash outflows will be in 2022 and 2023 as part of the Phase Two campaign. Of the 3 billion DKK, we expect that approximately one third can be capitalised and two thirds will impact EBITDA. We will continue to make further investigations concerning the cable protection system issue, as well as the remediation measures needed, including the impact in relation to suppliers, partners, and insurance. We expect to have a better understanding of the issue and the impact towards the end of the year.

If we then turn to the financial performance of the Group during Q1 2021, where we realised an EBITDA of 4.9 billion DKK, which is a decrease of 1.9 billion DKK. The majority of the decline is due to the warranty provision and the adjustments in the assumptions for Hornsea 1 offshore transmission asset divestment in Q1 2020 of 1 billion DKK.

Furthermore, 2020 included earnings from our distribution, B2C, and city light businesses, which we have divested. These negative quarter-on-quarter effects were partly offset by a positive effect of 500 million DKK in Q1 2021 from ceasing to report according to business performance principle. Adjusting for these effects, Q1 2021 was in line with last year.

In Q1 2020, earnings from offshore wind sites were positively impacted by very strong wind speeds of 12.1 metres per second, while Q1 2021 came in at 10.5 metres per second, which was below the normal wind year of 10.9 metres per second. This difference in wind speeds translates into a negative year-over-year EBITDA impact of around 900 million DKK.

In addition, Q1 2021 was negatively impacted by higher transmission tariffs following the divestment of the offshore transmission asset at Walney Extension in mid-2020, lower earnings from Horns Rev 2 due to the subsidy period ending in October 2020, and lastly lower ROC recycle prices. These negative effects were partly offset by the ramp-up of generations from Borssele 1 & 2 in Q1 2021 and the addition of another 400 megawatts of Hornsea 1 receiving CfDs.

In Q1 2021, the underlying earnings from partnerships primarily concerned adjustments to finalised construction projects.

Our onshore business was positively impacted by the ramp-up of generation from the three new wind farms – Sage Draw, Plum Creek, and Willow Creek – combined with early generation from our Permian Energy Center. The significant ramp-up in power generation was partly offset by a minor loss from the winter storm in Texas in February.

The underlying EBITDA in Bioenergy & Other was in line with Q1 2020, which was above our expectations, driven by a better performance from our CHP plants.

If we then turn to [slide nine](#) and our financial performance and net interest-bearing debt. Net profits for the period totalled 1.6 billion DKK, a decrease on last year, mainly due to the lower EBITDA and higher depreciation from more wind farms in operation. Free cash flow totalled 1.4 billion DKK for the quarter and cash flow from operating activities came in at 8.1 billion DKK, driven by EBITDA and the divestment of the Hornsea 1 offshore transmission assets in March 2021.

Our gross investments totalled 6.9 billion DKK, driven by our continued investments into offshore and onshore wind and solar PV farms.

Our net debt at the end of the quarter amounted to 13.2 billion DKK. The increase in net debt during the quarter primarily reflected the distribution of 4.8 billion DKK in dividends to our shareholders, as well as the negative effects from exchange rate adjustments related to the appreciating Sterling. This was partly offset by the positive free cash flow, as I just described, and the issuance of new hybrid capital in Q1 2021.

Let's then turn to **slide ten**, which shows our financial and non-financial ratios. Our credit metric, FFO to adjusted net debt, stood at 45% for the 12-month period ending in March 2021, which is well ahead of our credit metric target. Our return on capital employed came in at 7.5% with a decrease compared to last year being attributable to a lower EBIT over the 12-month period.

Whilst the quarter's ROCE is below 10%, we are on track to achieve average ROCE of 10% between 2019 and 2025 as guided.

Our greenhouse gas emission intensity temporarily increased due to higher power generation from our coal-fuelled units, where we have a regulatory obligation to offer our capacity to the market in the most cost-efficient way. Despite this increase in emission intensity, we remain on track to meet our scope one and two targets of less than 10 grams of CO2 equivalents per kilowatt hour in 2025.

Turning to safety, where we have seen a reduction of 17% in the number of injuries. And as a result, the total recordable injury rate has decreased from 3.6 in Q1 2020, to 3.0 in Q1 2021, which keeps us on track to reach our 2025 target of 2.9 or lower.

And this concludes the Group's financials for Q1 2021 and then let's turn to **slide 11** and the outlook.

As Mads mentioned in the beginning of the call, we reiterate our full year guidance for 2021 EBITDA excluding new partnerships of 15 to 16 billion DKK. The 0.8 billion DKK warranty provision related to the cable protection system issues is partly offset by better than expected performance from our CHP plants, as well as additional earnings from finalised construction projects in Q1 2021. On top of this, we expect a small contribution from Brookfield Renewable Ireland once the acquisition is closed.

Our gross investments are expected to increase relative to the guidance in our annual report and subject to closing of the Brookfield Renewable Ireland acquisition expected by Q2 2021. The purchase price will be added to our current gross investment expectations of 32 to 34 billion DKK.

And with that I will give the word back to Mads.

Mads Nipper

Thanks a lot, Marianne. And just before we start our Q&A session, I would like to highlight that we have now opened the registration to our Capital Markets Day on June 2nd, and I just want to reiterate that we look very much forward to virtually seeing you all and updating you on our long-term targets and strategy.

And with that we now open for questions. Operator, please.

Q&A

Operator

And our first question is from the line of Rob Pulleyn of Morgan Stanley. Please go here. Your line is now open.

Rob Pulleyn

Yeah, thank you very much and good afternoon everyone. I'll leave the questions around the cables to others. I'd just like to ask on the US. So, first of all, if you could give a bit of an update on the latest around your US project's timing and the next steps, obviously given the policy tailwind now evident, that would be great. And as a part B, another second question, can I ask; there seems to be a very large US seabed acreage leasing round coming up for the New York Bight in the next 12 months and I would be very interested to hear how Ørsted viewed that seabed auction in light of its existing acreage in the US, its opportunities in other markets, but also the scale benefits and multiyear visibility this auction would likely convey on the winners, which of course might make it very competitive. Thank you very much.

Mads Nipper

Thanks a lot for the question, much appreciated and like you say, I mean probably the questions for the cables will be left for others, but we're really happy to share sort of your joy around the progress in the US legislation and especially the strong track on the BOEM approval processes and the NOI for our Ocean Wind having come in and also imminently for our Revolution Wind. This is something we are really happy about.

We can't just yet say exactly what that means because we do need to get those NOIs for the portfolio. But we are working hard on updating the schedules and we will be able to share that relatively short term, but hopefully when we've gotten NOI also for our Revolution Wind, we will be able to give a more specific update shortly.

And on the New York Bight, we think it's fundamentally positive that the US is making more seabed available. We need that in order to hit the 30 by 30 ambition. This is absolutely needed. We still have good seabed availability already now in our current pipeline, but we will of course look at the opportunities in the New York Bight seabed auction. We've not concluded that yet, and it is not so that we won't have anything available should we choose not to participate, but it's certainly something we're looking very specifically at potentially participating in.

Rob Pulleyn

Thank you very much. That's helpful colour. I'll turn it over.

Operator

Thank you. Our next question comes from the line of Alberto Gandolfi of Goldman Sachs. Please go ahead, your line is now open.

Alberto Gandolfi

Hi, thanks for taking my question. I'm also going to stick to something perhaps a little bit bigger picture here. It stems from an interview, Mads, you gave recently where you talked about being potentially under pressure if you don't win an imminent capacity auction, so I was trying to understand a bit more of the mindset there. I think at the moment, you seem to have an official like 14-15 gigawatt gross seabed pipeline, which should probably cover growth for a number of years, but I was trying to understand why not a little bit more front footed approach on seabeds because it would appear to me that without a proper backlog of seabeds, it's not easy to convince the market that you can continue to grow at a very high pace beyond 2027, 2028, 2030, let's say, type of capacity auctions.

So, we're probably going to have 27 gigawatt of seabeds auctioned this year. So, I guess I was trying to see your general observations on what I just said. And would you mind maybe telling us where do you feel a little bit stronger? How much seabed do you believe you need to procure this year, over the next three years, to keep your growth story going and to be perceived as a secular grower because I think that besides being competitive, if prices go up for everyone, I guess the costs of seabeds would be a passthrough. And I'm asking you because the feedback you get from investors sometimes is why is the company spending 600 million euros in onshore in Ireland? Is it because they worry about structural growth in offshore? Apologies if it was a bit convoluted, but I wanted to give all the context for the question. Thank you.

Mads Nipper

Thanks. All relevant dimensions and I'll be happy to comment on it. Again let me start by the quote that I made about sort of potentially being under pressure. What was not very obvious from the bit that was brought onto international media was that it came in the context of an extremely strong growth expected towards 2030. And obviously, I mean I think we all know that competition is increasing in parallel, but I actually think that with a sixfold size of the current market we have no doubt that our opportunities to continue our expansion is definitely there. But we are humbled but also very determined to deliver the growth in the context of the intensified competition.

When we talked about problems, I guess there was also some potential misunderstanding of saying, would we - if we don't win one of the more competitive auctions in the next 12 months, being sort of specific trouble or challenges? And obviously not. The context I want to give to that is that we have a very stated and very clear ambition that also in 2030 we want to be a leader in offshore and that means if we would hypothetically not win any competitive auctions in the coming 12 to 18 months then that could obviously come under pressure.

But I do want to reiterate that the entire offshore expansion is not only about competitive auctions. You will notice that the 2.5 gigawatts in Poland is certainly something we're really excited about. We already talked about the MOU with Enefit in the Baltic states, which could be up to two gigawatts added in a non-competitive auction. And we also announced that we are opening new market efforts in Vietnam.

So, we are still very active on a number of fronts, which is both on looking specifically at seabed and we have also announced that we are going to participate in the upcoming Scot Wind auction. So this is something where we will probably say we will lean into that. We are actively considering New York Bight and then we are, if anything, dialling up our market development activities both in Japan, Korea, Vietnam, the Baltic States, and so on. So, whilst we are very respectful of competition, I should say that we also take

the liberty of remaining very confident that we have a very strong both pipeline and capability to stay the leader.

And I don't think we can say how much seabed we need to add this year or the next three years in order to stay a leader. We have by far the strongest availability of seabed of any, and therefore this is not something that's an imminent concern, but we know that there is also a world after 2030, so we will obviously keep developing also for the long term.

Operator

Thank you. Our next question comes from the line of Jenny Ping of Citi. Please go ahead. Your line is now open.

Jenny Ping

Hi. Good afternoon. Thank you for taking my question which comes in two parts and I am going to touch on the cable cover issue. As I understand, the 3 billion that you've signalled today is really to replace some of the cable cover issue rather than replacing necessarily any damaged array cables, which is clearly the more costly part. So I guess my question around here is really how much assessment have you done around the array cable damages and is that 3 billion the worst case scenario effectively?

And then one for Marianne. How should we think about that 3 billion in terms of the EBITDA phasing across the quarters for '22 and '23? Thank you.

Marianne Wiinholt

Yes, we have made assessments and of course it's early assessments. But how much in a way is partly damaged and how much can we avoid further degradation with rock dumping on top of the cables? We have made this estimate of 3 billion and in Phase One we will spend limited amounts of money for the rock dumping. And that will take place in 2021. In 2022 and 2023, we will go on with these potential replacements and repairs, and the main part of the cost comes in in this phase. And as we have said, we expect that approximately one third of the cost can be capitalised and the rest will hit EBITDA.

You can say we have already taken the 800 million in this quarter, so then in the way that the rest will come in 2022 and 2023 and as I said in 2021, we have limited additional costs because this rock dumping is not that expensive.

How the split will be between 2022 and 2023 is a little bit difficult to estimate right now. But for now our best estimate is equal cost in those two years.

Mads Nipper

And if I can just very quickly supplement, Marianne. If I understood – and pardon me if I didn't – but if I understood the first part of your question correctly, then you asked: Is the 3 billion only for stabilisation or potential repair of the cable protection system and would then – indirect part of the question – would the potential cable repairs or replacement come on top. No, not the case that. The 3 billion is our current best

estimate of the total cost for everything that needs to be remedied, both in terms of the stabilisation and potential repair and potential replacement.

Marianne Wiinholt

And rock dumping.

Mads Nipper

Exactly.

Marianne Wiinholt

Everything, yes.

Operator

Thank you. Our next question comes from the line of Deepa Venkateswaran of Bernstein. Please go ahead. Your line is now open.

Deepa Venkateswaran

Thank you. So, my question was on the recent Danish development where you've paired up with ATP. So could you maybe help us understand how this differs from say the ongoing Thor tender, and would you also envisage more such financial partnerships for other projects? And generally, how is the Danish government going to select who will be the one who develops this Energy Island? Any thoughts on that would be helpful. Thank you.

Mads Nipper

Yes, thank you very much. I can kick it off. The partnership with ATP is exclusively here for the for the North Sea Energy Island, and this is a product that is unrelated to the Thor auction. So Thor is a separate auction coming on earlier, whereas the Energy Island is sort of the hub for up to ten gigawatts of offshore wind that will subsequently be built around that island to feed into that.

And what we have now partnered with ATP with the intention to bid into that island, which would be the world's first Energy Island and therefore something that we think is highly interesting also strategically to build new capability. It is still too early because there is still political dialogue and dialogue going on with the government about what are the more specific criteria for the Energy Island tender.

We do know that it will be competitive, but we also believe that it will – as opposed to, for example, Thor, which will be primarily price based – we do think that this is going to be a multi sort of criteria auction, but that is not settled just yet to do that.

And in terms of whether the partnership with ATP would be something that will fundamentally alter our approach to how we develop also wind farms; No, this is not our intent. Our intent in terms of developing wind farms is to keep the operating model now where we, sometimes in partnerships with others and sometimes alone, build with the subsequent opportunity to farm down, as you know.

Deepa Venkateswaran

Okay and would the Danish consortium have any advantage given that this is such a large investment for the Danish government? Would you have any advantage because you've joined up with ATP or because you're Danish?

Mads Nipper

I think there would be some regulations that will mean – some EU regulation that would mean that this is open to everybody. We do expect that at least one of the one of the competing consortia could also be Danish. There is already one consortia who have announced that they are also interested but officially, there won't be sort of a confirmed Danish advantage of who will win the consortium or the competition.

Operator

Thank you. Our next question comes from the line of Peter Bisztyga of Bank of America. Please go ahead. Your line is now open.

Peter Bisztyga

Yeah, good afternoon. Thank you. So, back to these cables, please. And Marianne, I think you touched on this earlier. But if you could provide a little bit more detail. So, can you just clarify; is this cable issue specific to the way that these ten wind farms have been designed? Or is it an issue with the equipment? And I guess some pertinent points related to that would be can you claim under insurance here? Or could you get damages from your equipment supplier?

And also is this an issue that could potentially affect other offshore wind farms owned by other companies? So, is this a generic offshore wind farm problem?

Marianne Wiinholt

Yeah, just to go a little bit back in history because I think that's quite useful. For the first many wind farms we built, we had another solution. We had a so-called double layer of rock. So first, we had rock around the monopile. Then we had the cable coming out and then we put rocks on top again. Then we found out, together with the industry, that we thought there was a better solution and therefore we did not put the additional second rock layer on top.

That was believed to be the best solution and we used that for 10 of our wind farms. We then now have found out that that's not a good solution. So, for the ones we are constructing right now - Hornsea 2 and Changhua - we are stabilising the cables again. So therefore, in a way it is these ten specific wind farms. Whether competitors have the same issue in a way it is not for us to guess, but this solution was the way the industry norm in this period.

Peter Bisztyga

Okay, so then there's no - this isn't an issue with the cable protection system so you can't really go back to your suppliers and claim that the system is faulty.

Marianne Wiinholt

Yeah, it's a good question. We are, in a way, out with this bad news very early, so it's not so that we have done all the investigation work and we are working with what could be potential claims towards insurance suppliers, etc, etc. But it's not so that we expect that to change this 3 billion DKK number significantly, but of course we are in a phase now where we are seeking out all kinds of things that could help reduce the cost for us.

Peter Bisztyga

Okay, thank you, that's helpful.

Operator

Thank you. Our next question comes from the line of Sam Aire of UBS. Please go ahead. Your line is now open.

Sam Aire

Hello, everybody, and thank you for the presentation as always. I wanted to ask – well, actually I wanted to ask about the Danish Energy Island because that I think is a super interesting thing on your horizon. But I think Deepa already covered that. So can I just turn to slightly a maybe less positive topic, which is UK taxes. I know you've already got this sort of tax situation ongoing between the UK and Denmark, but we've also since we last saw you had the budget and the corporate tax rate increase in the UK, along with also some capital allowances and so on that will be applicable in the next two years. So, I don't think - sorry if I missed it, but I don't think you made any comment on how you might be affected by those tax changes in the UK. Could you spend a minute to just to explain the sensitivity I suppose on both sides: the increase in the rate and the increase in the allowances in the near term. Thank you.

Marianne Wiinholt

Yes, so of course they increase from 19% to 25% is in itself not positive news but these allowances of course help. We don't have the full overview yet, but it's not a major impact we expect to see from this change, but we expect to see - it goes to the negative but not significant. But I don't have the full overview.

Sam Aire

Does it - I suppose my question is if you've got this wind site guidance of the 20% CAGR to 2023. So I suppose in that year, you're going to pay the higher rate of tax in the UK. And now you've got maybe some carryover from the cable issue and you've got an extra farm down. Are you still comfortable with that 2023 guidance when you add all these things together?

Marianne Wiinholt

Yes, we are comfortable and remember that the tax increase does not hit EBITDA, so that's below the line. But we are still comfortable that even with this extra cost for the cable issue, we are comfortable that we will be able to reach the target, yes.

Sam Aire

All right. Okay, thank you very much.

Operator

Thank you. Our next question comes from the line of Casper Blom ABG Sundall Collier. Please go ahead. Your line is now open.

Casper Blom

Thank you very much. I would also like to touch a bit about the Energy Island project and also your large hydrogen vision down in the Netherlands. Thinking more sort of conceptually, to me this seems as if you're sort of venturing into a little bit of new areas. We've been used to Ørsted being very much about constructing wind farms, and now you're sort of broadening yourself into other areas of the whole energy system, you could say. How do you think about attracting the right competences for this and how do you view this in terms of risk? Should we see this as a little bit higher risk that you are now venturing into a bit uncharted territory? Thank you.

Mads Nipper

I can share some perspectives on that. No doubt that if you do things for the first time then almost by definition it would be higher risk than if you put your sort of wind turbine number 1600 into the ocean. But I also think that it's very clear that the energy systems of the future will obviously have a large-scale buildout of renewable energy as a backbone, but there will also be new solutions absolutely needed to decarbonize in not least the hard-to-abate sectors. And that's why green hydrogen and green fuels are a vital part of that which I'm sure you also know is also a potential sort of application on the back of the Energy Island supplying large-scale Power-to-X projects as well.

So, we say whilst we will absolutely stay very, very focused on being a leader in offshore wind development and whilst expanding proportionally also our onshore both wind and solar PV and storage, then we see it as both sort of something which would be absolutely needed that some of the pioneers in the business lean into these new opportunities of green hydrogen and in this case also the Energy Island, but we also think that like being a first mover on offshore wind has brought along really, really attractive business opportunities for Ørsted, we think that being the earliest and some of the most ambitious in this space is something that holds significant long-term value creation potential as well.

So, yes, the risk profile is higher, and we are engaging in territory that we, like everybody else, have no or very little experience into. We are scaling up on green hydrogen and green fuels substantially, both in our own team. We also work intensely with partners, both on the off taker and technology side and many of our nine hydrogen projects are with a significant number of partners.

So, we have high ambitions to drive this forward. But we also know that even though we are building capability ourselves, we also need to have partnerships in order to push this forward at the ambition level that we have.

Casper Blom

Okay, if I just may follow up, Mads. Is it fair to in any way connect this fear of lower returns within offshore wind due to higher competition with you venturing into new areas? Is it something that is being slightly driven by you needing to find new areas to secure future profitability in projects?

Mads Nipper

No, I wouldn't make that link. We still see, despite the intensified competition, that there are lots of commercially attractive offshore buildout opportunities because I mean, we are not at the end of the road yet where we lower the costs, increase efficiency, but are also finding other ways of creating strong differentiation in terms of local workspaces, protecting biodiversity and so on. There are ample opportunities to still create differentiation.

So, no; despite our increased competition, offshore is still highly interesting and also something where we believe we can drive a profit, but we do believe that we are - many people talk, including ourselves, about the transformation that Ørsted has successfully done from fossil fuel-based to green energy and especially in offshore, but we see ourselves more on a constant transformation and part of that next transformation is in green hydrogen, and in this case also Energy Island, and we believe – for the market leader – we believe it's right to be forward leaning into things where we also building a capability as we are diving into these project opportunities.

Casper Blom

Thank you, it will be very interesting to follow.

Operator

Thank you. Our next question comes from the line of John Musk of RBC. Please go ahead. Your line is now open.

John Musk

Yes, good afternoon, everyone. Maybe I can sneak two because the first one is just a clarification. I just wanted to check that you said that there is no additional sort of revenue impacts we need to think about from outages around the cable issue. But the main question is this sort of event, which is, I guess, an unforeseen risk that we have with offshore wind slightly reminds me of the wake and blockage issue that we had a few years ago. But back then, I guess returns were higher. Now that we are in a more competitive world and returns are getting squeezed, a little issue like this obviously has a greater impact on the overall spread that you can earn on a project. And do you think we're in a position that competition is starting to disregard some of these risks? Or do you think that people are still being sensible with their bids?

Mads Nipper

I can kick it off and invite Marianne to supplement. So, there will always be - the risk of something like this occurring is of course there, as I'm sure it is across any sort of technology and we don't think that this is something that's being disregarded because this is something that also many new players will need to go

into and even though we are very experienced already now as an offshore developer, this is another proof that this is not a technology that has a very broad base of very experienced players and where everything is very mature. We believe that - I mean as we see this - we tell about it early and we also believe we have all the capabilities needed to fix it quickly.

So, yes, of course it is annoying, but in the grand scheme of things, we still think this is something that is clearly manageable and not something that is devastating even in the wake of returns that are obviously lower than they were a few years ago. Marianne, anything to supplement?

Marianne Wiinholt

Yeah, just to answer your first small question. No, we don't expect any significant revenue impact because you take one array cable at a time so therefore the downtime is very limited. I would also say that going forward, we will of course not use the same solution for this cable protection system, but the new solution that we will use with stabilising the cables is not very much more costly. So, this issue in itself will not impact the returns on our future projects. It's more money. And had we known that, of course, we should have spent that money.

Casper Blom

Okay, thank you.

Operator

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

Mark Freshney

Hello, thank you for taking my question. I'm not going to ask about Danish Energy Islands or cable repair campaigns. Instead, I'm going to ask about slide seven, where you flag the 25 gigawatts of offshore auctions and tenders this year. I mean, we're in a world with 50 euro carbon, where power prices in most markets are now above the level or the LCOE required for offshore wind. I think the head of your onshore wind business, you even commented, PPA prices are now on the rise. So, Mads, do you think that this year could be the last year where actually tenders given and that instead we're going to start to see people build projects on the merchant price of power or with corporate PPAs?

And I guess as a question 1B to that, when will you be ready to go ahead with a project on the basis of corporate PPAs offshore completely outside of any kind of contract with the government?

Mads Nipper

Thanks a lot, Mark. To your first question. No, we don't think this is the last year where there will be backed or supported projects. We think this will continue for – as a matter of fact, for many years, but we also think that the likelihood and maybe even the need for buildout of significant merchant projects will also happen.

Bear in mind that our Borkum Riffgrund 3 project is actually fully merchant, and we have already now signed on a significant share of that through corporate PPAs. So, I would not rule out that this is something that would be a real option short-term and also for some of the green hydrogen projects. And if you look at some of the some of the major corporations that are in need to decarbonize their business, not just in terms of what can be electrified, but also for potential high-volume green hydrogen and green fuels, this is something that could substantially increase the need for short-term buildout of higher capacity offshore wind.

So, in answer to your question. No, we definitely don't think this is one of the last years with government-backed offshore projects but yes, we could be ready to do more fully merchant projects, even potentially shorter term.

Mark Freshney

Okay, so does that mean that we may - you've got the 15 gigawatts, I think, in the bag for - I think there's a slide at the back showing - I think just in the appendices - showing your gigawatts offshore. But does that mean that 2025 you could have a project in there outside of a government tender for instance, and outside of Borkum Riffgrund?

Mads Nipper

No, not by 2025. That would not be likely.

Operator

Thank you. Our next question comes from the line of Ahmed Farman of Jefferies. Please go ahead, your line is now open.

Ahmed Farman

Yes, hi. I just wanted to ask a question – a clarification question around the 2021 Q1 results. So, earlier in the year when you provided us with the guidance, you flagged three specific negatives for the offshore EBITDA, including higher O&M costs, higher TNUoS charges, and then you also flagged DEVEX would increase. Just would be very helpful to better understand how much of these have been recognised in the first quarter. Thank you.

Marianne Wiinholt

I can take this one. The TNUoS we flagged, that we already see in Q1 because we now pay TNUoS for Walney Extension. The higher DEVEX, we don't see. We expect to see it later in the year. And then we also flagged these O&M costs for Changhua and Hornsea 2 and we're not so far progressed that we have started spending money on O&M on these projects yet, but that will also come later in the year.

Ahmed Farman

Okay, so just to confirm your expectations around these costs haven't changed, it's just the timing.

Marianne Wiinholt

No. It is the same.

Operator

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

Marcus Bellander

Yes, thank you. I would like to follow up on the Energy Island. You mentioned that you want to be first mover in this space, and no doubt Energy Island; it's a new concept and it will be a big project, but I'm just wondering just how much innovation will be needed in this space that potentially could allow for higher returns. I mean, building an island has been done before, and I imagine you'll be putting similar transmission infrastructure on it as you've done before. So, I'm just wondering where the innovation lies here? Thank you.

Mads Nipper

Thanks a lot. And again, this is also something where there is an ongoing debate with the Danish government, because what is known is that there will be - at this Caisson-based island in the North Sea, there will also be a Baltic Sea Energy Island. There is an island already called Bornholm and that will probably be there, but concept in principle is the same. And what's on the islands? So what will happen there? Whether there will be Power-to-X, green fuels production there, what kind of international distribution network there could potentially be is something that is yet to be determined.

But the reason why we have decided to lean in at this early stage to also build the island; that's not because we have sort of a dream of becoming systematic island builders. It's simply because of the experience that we believe we will get from being in there from the first go is something that could gain us invaluable experience in terms of the entire Energy Island concept, which could lead to systematic innovation, both in terms of - some of those transmissions are going to be also international, we are going to have to work with TSOs across borders, and so on.

So, there are many first times that need to happen. Some of it technically, some of it in terms of international collaboration, and certainly also something with the scale, because 10 gigawatts around one island is something that is in a scale that the world has not seen before.

So, whilst we cannot be super specific around what do we believe are some of the most unique innovations, we are convinced the opportunities are there, and we are convinced that it is right for us to lean in to have a potential ticket to play.

Marcus Bellander

Thank you, I appreciate the colour. It will be interesting to follow.

Operator

Thank you. Our question comes from the line of Klaus Kehl of Nykredit. Please go ahead. Your line is now open.

Klaus Kehl

Yeah, hello. Klaus from Nykredit. One boring question about this cable issue. Marianne, you mentioned it was in the industry norm in the way you constructed them maybe a couple of years ago. So, is it fair to assume it's a fault in your design process rather than a fault from your sub suppliers? That would be my question.

Marianne Wiinholt

To be honest, we have not established the root cause of this yet and we are working on it. What we have established is that we have a problem, but we need to do some further work to be certain about what is really the root cause. So, that's why I would not like to say more than that.

Klaus Kehl

Okay, fair enough. Thank you very much.

Operator

Thank you. Our next question comes from the line of Kristian Johansen of Danske Bank. Please go ahead. Your line is now open.

Kristian Johansen

Thank you. So, my question is regarding this upcoming tender in France where, as far as I could see, you have not been pre-qualified to participate in the tender. So, I'm just curious whether this is a deliberate choice for you not to pursue this tender, or whether you were simply not selected by the French authorities to continue in the tender.

Mads Nipper

Yeah, thanks, Kristian. The very short answer is that's a deliberate choice. We always assess very diligently in terms of the upcoming auctions which ones play best to the strengths we have and given what you can also see on slide seven, there are lots of opportunities, and even though we have a very high capacity to be able to bid in, then the French auction is one where we have actively chosen not to prioritise it and not try to qualify.

Kristian Johansen

Okay, that was very clear. Thank you.

Operator

Our next question comes from the line of Jorgen Torstensen of Fearnley Securities. Please go ahead, your line is now open.

Jorgen Torstensen

Thank you and good afternoon. I'd also like to follow up on your comments on market leading positions, if you don't mind. So, I'm under the impression that you haven't taken a very active role in the floating wind side of things. I know you've talked about this before and are looking at Scot Wind, which is at least partly floating, though you could obviously just focus on the fixed-bottom part of the auction, but could you please just help us bridge the gaps between taking leading market positions or moving first, if you will, and your approach to floating wind? Thanks.

Mads Nipper

I'd be happy to. And already, when we announced the annual results, we did - probably what we'd call sending signals that we are leaning more into floating wind. But let me start by saying we still think that there is - and that's very important to reiterate - there is significant potential for continued bottom-fixed offshore wind buildout. But we do also believe that as the world travels towards net zero in 2050, we will also need several more technologies, including floating offshore.

And we actually do believe that right now this is an industry that is gaining momentum, even though right now we really need this to be technologically mature and gain scale before anything can be proven. But we believe that towards the end of this decade that there could be commercial scale projects out there. And that's also why we are now both in terms of working with partners but also strengthening our own capability on floating. We are gearing up and we will also in the upcoming Scot Wind have floating as part of that.

So, I guess the short answer is that this is something where we will play a role. It is something that will take quite a while for the technology to be mature, to be competitive. It needs to get significantly down, the cost curve. But we are choosing to lean into that, to be part of the journey and also will in amongst other regions also in Scotland to make that part of what we bid at.

Jorgen Torstensen

Okay, thanks.

Operator

Thank you. Our next question comes from the line of Pujarini Ghosh of Bernstein. Please go ahead. Your line is now open.

Pujarini Ghosh

Hi, thanks for taking my question. So, if we go back to the US legislative progress. Could you share maybe any clarity on how you expect the PTC schemes to extend? So, for example I mean, do you expect it to remain at the 60% level for a few more years and then gradually drop? I know you said that you are going to get 80% for your Helena Energy Center, but if you could share any details that maybe you're hearing from regulators, that would be very helpful. Thank you.

Marianne Wiinholt

We don't have any clarity on that. You can say we got clarity around offshore and the extension we received right before year end, but for onshore any potential extension of PTC; at least we don't have any more insight probably than you have, so we will have to wait and see.

Pujarini Ghosh

Okay, thank you.

Operator

Thank you. Our next question comes from the line of Vincy Bu of UBS. Please go ahead. Your line is now open.

Vincy Bu

Hello and good afternoon and thank you for the presentation. I have questions on your hydrogen project pipeline. In your presentation, you have listed nine hydrogen projects in the pipeline, which is quite a lot given where we are in the market today. So, I just wanted to ask how much CapEx would this represent if we have all these projects going ahead and do you expect them to sort of give a commercial return or would they be more like a R&D type of projects? Thank you.

Mad Nippers

I can kick it off. Thanks a lot. The short version of the answer is we don't yet have a CapEx number for these projects. They are – most of them – are early stage and as you can potentially there are some of them – there are several sizes mentioned. So, for example on green fuels for Denmark, starting with 10 megawatts, growing to 250, growing to 1.3 gigawatts. So, many of these are quite scalable and with multiple partners included. And also for several of these the dependency on, for example, EU support is also quite substantial.

So, the answer is no, we don't have a specific determined CapEx budget for these. Allow me just to add a comment because you may say, 'Well, why do you have that many? Do you have a chance to move all of that ahead?' Well, we actually do believe that since this is for everybody an immature business, this is something where everybody agrees that the world needs green hydrogen at scale, but very few people have any experience and even fewer experience at scale, so we believe that the wisest thing we can do right now is to build capability and build experience across a wide range of application areas with different offtake partners, in different parts, with different approaches. So, we actually believe that even though it may seem like a lot, and most of them are early phase, we believe this is actually a smart way for the coming decade to build something that can have commercial impact towards the end of the decade we just started.

Vincy Bu

Thank you. And if I may, can I have a quick follow-up?

Mads Nipper

Go ahead.

Vincy Bu

Just, like you say, all of these nine projects, the sizes are quite different among all these projects. So, then I was wondering out of these nine projects, how many of them are actually in - that you have started construction?

Mads Nipper

We've only started construction – we've taken FID on only the smallest of them, which is really a technological proof of concept. So, this is where we get the first experience of actually handing it. It's right here in our backyard in Copenhagen, where we have a couple of wind turbines where we work with local partners to use this for heavy transport, but this is really to get technological proof of concept and that's the only of these projects that we have FID-ed.

Marianne Wiinholt

Just to add there, like all others, it's now about securing support for this project because it is early phase and the projects need support, either CapEx support or subsidies and that's what our focus is on right now; is to mature the project so that you can apply for this this support.

Vincy Bu

Thank you.

Operator

Thank you. Our next question comes from the line of Rob Pulleyn of Morgan Stanley. Please go ahead. Your line is now open.

Rob Pulleyn

Hi, again. Thanks. I re-joined the back just for a follow-up question. And that is in light of your comment about some of these new markets and I think you added Vietnam to the list now. Given the importance of scale to project economics and returns, could you talk about how you move into six new markets - I think it is now - and what we should expect in terms of will you be clustering your effort in those six new markets or will you be expanding into even more new markets offshore as they become available? Thank you.

Mads Nipper

It's hard to give a definitive answer to it, Rob, but as you as you do know, we have a regional structure overall where we have a Continental Europe, UK, Asia Pacific and so on, and that means that obviously that for some of our functions there's a natural clustering, both of resources and capabilities. And then for some of our more mature regions, we also have a clustering of the operations and maintenance and sort of

in service and set up which gives a substantial advantage, for example, in a market like the UK, where the critical mass just give some efficiency and economies of scale.

It's too early to say whether there is an additional meaningful consolidation beyond the regional structure we have. But obviously when we enter into markets like Korea or now, the latest sort of emerging is Vietnam, that means that that is very much on the backbone of our Asia Pacific set up where we have our Taiwan-based team and also with the experience of expanding into Japan and so on.

So, we are leveraging our global setup, but any further clustering is too early to say, it would depend on also how we are able to build scale in the individual markets. And in terms of further market expansion, you never know; if the opportunity is there, we may choose to do so, but we are also mindful of not spreading ourselves so thin that we're not going in wholehearted where we choose to play.

Rob Pulleyn

Fair enough, thank you.

Operator

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

Mark Freshney

Hello, yes, a follow-up question from me regarding what the 800 million DKK provisions tell us about the farm down contracts because it would appear that if you were on the hook for replacing components on wind farms that you farmed down or the partners element, does that mean you've written them multiyear guarantees and warranties that could expose you to other costs in the future? So, I guess my question is what is the extent of liability on future projects and existing projects in the future?

Marianne Wiinholt

Yeah, a good question, Mark. When we enter into these construction agreements, then typically we give a warranty of five years and for some of our projects the warranty has already expired. For some we still have a warranty provision. Each of these warranties is actually different, so it's not that we have a standard construction agreement. So, in a way it's too early to say anyway how this will turnout.

We also have projects where we have shared risk, like for example in the farm down of Race Bank where it was shared risk. So there it's definitely not on us. But yeah, this is the picture. What we typically do when we enter into a farm down agreement, we provide a warranty agreement, a certain amount. I will not tell you exactly how much, but we have a standard way of doing that. And what we have typically seen is that we have been able to release some of that warranty because we haven't had a lot of claims under the warranty.

This is actually the first time we have something where we have needed to increase the warranty provision. And remember that we have we have more than 50 billion of farm down gains over the last years. So this is not a very, very significant - of course, it is significant, but in a way, in the big scheme of things.

Mark Freshney

So, more relative to the uplifts you've had, like in Q1 where you had the 200 million uplift from closeout of previous projects. I guess you don't win every time.

Marianne Wiinholt

No, that's right.

Operator

Thank you. Our final question comes from the line of Jenny Ping of Citi. Please go ahead. Your line is now open.

Jenny Ping

Hi, thanks again for letting me ask a follow-up. So, just going back to your slides. Looking at slide five and six. Obviously, there is a very big differential in terms of number of projects between the offshore and onshore that's under construction and I guess, given that there are only two projects under construction in offshore, this is why you're going down the European onshore route, and I know we talked about this when you did the Brookfield acquisition, but I just wondered whether you can elaborate a little bit more around what sort of assets that you're looking for? What is the type of assets that would complement the existing Brookfield acquisition and regions? Whether you can give a bit more detail around that. Thank you.

Mads Nipper

Yeah, absolutely, thanks a lot, Jenny. There's absolutely no connection between the number of offshore projects and the expansion we do in onshore. The Brookfield acquisition and the number of onshore projects is something we are choosing to do, because we believe it's an attractive opportunity in itself, and bear in mind that these two projects in the UK and Taiwan will hopefully very soon be followed by a number of construction projects that are about to start, not least in the US market.

So, we do believe - I mean, we will sometimes have more in construction and at other times less like now, but this has nothing to do with that. We know for a fact that we're going to be very busy in the coming three, five, seven, ten years building offshore construction. So, this has nothing to do with our onshore expansion.

Operator

Thank you, we currently have no further questions. I will hand back to the speakers for any further remarks.

Mads Nipper

Yes, thank you very much for joining and for the great questions. Really appreciate it and as always, should you have more questions, please don't hesitate. Our IR team will be here and will be happy to answer them. So, thank you very much. Have a great day and stay safe.