PRESENTATION

Operator

Hello and welcome to the Ørsted annual and Q4 reports 2019. Throughout the call, all participants will be in listen only mode and afterwards there'll be a question and answer session. Today, I'm pleased to present Henrik Poulsen, CEO and Marianne Wiinholt, CFO. Please begin your meeting.

Henrik Poulsen

Thank you and good afternoon, everyone, and welcome to this earnings call.

2019 was a strong year for Ørsted with continued strategic progress, global expansion and strong financials. Our group EBITDA excluding new partnerships came in at 17.5 billion DKK, an increase of 17% on 2018. Earnings from offshore and onshore wind farms in operation increased by 30% to 14.8 billion DKK, driven by ramp up of new offshore and onshore wind farms. 2019 was also positively impacted by higher earnings from our trading activities and the reversal of the provision related to the Elsam competition case. These positive developments were partly offset by the increase in provisions related to our LNG activities, higher project development costs and the temporary negative effect from our gas at storage.

Our return on capital employed for 2019 was 10.6%, so well in line with our target of an average group rose of 10% in the period 19 through 25. On the back of our strong financials we will propose a dividend of 10.5 kroner per share to the annual general meeting, corresponding to an increase in dividends of 7.7%. We still intend to increase the annual dividend by a high single-digit percentage compared to the previous year’s dividend up until 2025.

In 2019, the Ørsted share yielded a total shareholder return of 61%.

Let me briefly take you through some of the key accomplishments in 2019. In our offshore division we successfully commissioned the world’s largest offshore wind farm, Hornsea 1. And we took final investment decision on our first large-scale Taiwanese project, Greater Changhua 1&2a. In addition, we won two major US auctions in New Jersey and New York during the summer, marking a breakthrough for our US offshore wind business. In Japan and Poland, we progressed our market entry strategies and potential partnerships with leading local energy companies.

In onshore we commissioned the Lockett onshore wind farm and we further strengthened our construction pipeline by taking final investment decision on three onshore wind farms and our first combined solar and storage project. In addition to these investments, we further strengthened our onshore business through the acquisition of Coronal Energy’s development unit.

In markets and bioenergy, we reached 100% green heat and power generation at the newly bio-converted Asnæs power station. We also signed the agreement to divest our Danish power distribution residential customer and City Light businesses to the Danish utility SEAS-NVE and we finally also entered into an agreement to divest our liquified natural gas activities.

So reflecting on 2019, we very pleased with our strategic progress and results against the backdrop of unprecedented global public support for the green transformation. Ørsted maintains the leading position in the high growth market for green energy.
We remain as committed as ever before to our vision of the world running entirely on green energy.

Turning to slide four and a follow up on our guidance. With the 2019 EBITDA of 17.5 billion kroner, we exceeded our expectations at the beginning of the year as well as our most recent guidance of 16 to 17 billion. Despite a net negative impact of 800 million DKK related to the divestment of our LNG activities, we outperformed our latest guidance. The outperformance can be attributed to better than expected performance from strong offshore generation in December, our trading activities and less negative effects on our gas at storage than expected as well as lower realised costs across the company.

Turning to slide five and a look at our investments. In 2019, we saw significant increase in the investments into our construction projects, which will support the continued growth of the company. The total gross investments of the group amounted to 23.3 billion DKK, which was slightly above our guidance range. Compared to 2018, we increased our construction investments by 8.4 billion, highlighting the significant build out in offshore and onshore. We continue to target investments of an estimated 200 billion DKK in the period from 2019 to 2025, with more than 95% earmarked for growth in offshore and onshore renewables. Going forward our investments will be fully funded by green capital, either through operating cash flow from our renewable assets or through new debt issued in accordance with our green finance framework.

Moving on to slide six and an update on our key strategic and operational progress in quarter four. Ørsted continued its strong progress in the last quarter of 2019 where EBITDA amounted to 4.6 billion DKK, an increase of 500 million, when adjusting for the Hornsea 1 farm down in fourth quarter 2018. The increase was primarily driven by higher generation from wind farms and a positive effect from accounting value of our gas at storage as previously mentioned. all of this due to increase in gas prices in the fourth quarter. EBITDA from offshore and onshore wind farms in operation increased by 16% to 4.9 billion in Q4 2019.

The continued build out of our renewable capacity brings our green share of heat and power generation to a record high 90% for the fourth quarter compared to 83% in fourth quarter 2018.

2019 has been very eventful on a strategic level and the last quarter of the year was no exception. Let me just highlight a few of the most important events: Late December we commissioned the world’s largest offshore wind farm, Hornsea 1. The wind farm is the first ever offshore wind farm to reach a capacity of more than one gigawatt, and it’s the only wind farm in the world capable of powering well over one million homes. We are extremely proud of this record-breaking project and the more than 8,000 people who have worked offshore at the Hornsea 1 site.

In December, we also signed a one hundred megawatt corporate PPA with Covestro. Covestro will for a ten-year period off take green power produced from our plant, 900-megawatt Borkum Riffgrund 3 offshore wind farm, which is expected to be fully commissioned in 2025, subject to final investment decision.

In December, we signed a non-binding term sheet on a transaction with the leading Polish energy company PGE. We are now negotiating the long-form documents for the purchase of a 50% stake in two offshore wind projects with a total capacity of up to 2.5 gigawatts.

Over the past year, Lincoln Clean Energy has been systematically integrated to ensure an effective operating model capitalising on the capabilities from both companies. To mark the full integration of LCE into Ørsted, we decided to rebrand Lincoln Clean Energy to Ørsted Onshore at the end of 2019. The founder of LCE, Declan Flanagan, will head Ørsted onshore and has been appointed Executive Vice President and a member of Ørsted’s executive committee.

In November, we took final investment decision on Permian Energy Center, a combined solar PV and storage project. The Texan project will comprise 420 megawatt of solar PV and 40 megawatt of battery storage. When Permian Energy Center comes online in mid-2021, Ørsted will have a US portfolio of operating assets that spans the full spectrum of offshore and onshore renewable energy technologies. This will allow us to offer our competitors a competitive and diversified portfolio of clean energy solutions.
From mid-December all heat and power from Asnæs Power Station has been generated from the new unit, which runs on sustainable biomass. The bioconversion of Asnæs Power Station marks an important step towards our complete phase out of coal. Asnæs conversion is our sixth and final one. We have decided to close down our last remaining coal-fired power plant in Esbjerg by the end of first quarter 2023, as we have been unable to find a joint solution with the heat customers for our bioconversion project. All our biomass based on wood waste will from 2020 be certified compared to 96% certified in 2019.

In December, we signed an agreement to divest our LNG business to Glencore as a step to reduce our long-term engagement within the gas supply chain and because further financial improvements would require additional long-term commitments. We expect the transaction to close in the summer of 2020.

In November, we secured 12 billion New Taiwan Dollar, or 2.7 billion DKK, through the issuance of green senior bonds at attractive rates to finance the Changhua 1&2a project. The NTD bonds also help de-risk our projects from a currency perspective. This transaction marks the first ever green NTD bond issued by a foreign corporate in Taiwan and underlines our strong long-term commitment to the development of offshore wind in Taiwan.

In November, we also issued subordinated green hybrid capital securities of €600 million with a fixed coupon until December 2027 at 1.75%. Simultaneously, we redeemed €524 million of the existing €800 million 3% hybrid capital securities issued back in 2015.

Let's turn to slide seven. The world is facing a climate emergency and scientists have demonstrated the need to limit global warming to 1.5 degree to confine the most severe negative effects from climate change. Going above that threshold will likely trigger serious irreversible consequences for global ecosystems. To stay within 1.5 degree global warming, the world needs to halve the global carbon emissions by 2030 and reduce emissions to net zero by 2050. Our target has been to reduce emissions by 98% by 2025, but we now target to reach net zero emissions in our own operations by 2025, and to be carbon neutral in our entire total carbon footprint by 2040. Ørsted will likely be the first major energy company to reach carbon neutrality within the so-called Scope 1 and 2 emissions covering our own operations.

Our key activities to reach carbon neutrality by 2025 include a 20 gigawatt build-out of onshore and offshore renewable capacity, phasing out of coal completely in 2023, driving out fossil fuels from our operations, including our commitment to 100% electric vehicles by 2025. Furthermore, we have launched a programme to engage with our suppliers to decarbonise procurement of components and vessel services related to our offshore wind business. And if needed, we will offset any minor residual emissions through certified carbon removal projects.

Our ability to significantly grow our business while substantially reducing our carbon emissions has been acknowledged globally and last week in Davos, we were the first energy company ever to top corporate Knights index of the global 100 most sustainable corporations in the world. We are proud of this recognition and it encourages us to sustain our efforts to deploy green energy at scale and contribute to the profound transformation of the energy system required to keep the planet liveable for future generations.

Turning to slide eight where I’ll give an update on the key offshore construction projects. As already mentioned, we commissioned Hornsea 1 in late December on time and below budget. The 1218 megawatt offshore wind farm is our 26th offshore wind farm in operation, bringing our installed offshore wind capacity to 6.8 gigawatt.

At our Dutch Borssele 1 & 2 wind farm, we have started the offshore construction work according to plan and have now installed 13 monopiles out of 94. Starting in April, the Siemens Gamesa, eight megawatt wind turbines will commence installation. We now expect the 752 megawatt offshore wind farm to be completed by the end of Q4 2020, and by then it will be the largest offshore wind farm in the Netherlands, being able to supply renewable power to around one million households.

Our remaining offshore wind farms under construction, Hornsea 2, Greater Changhua 1 & 2a and the Virginia EPC demo project all remain well on track.
Turning to slide nine and the onshore and bio energy and power distribution construction projects. In our onshore business we continue to see good progress on our projects and both Sage Draw, Willow Creek, Plum Creek and Permian Energy Center are well on track to be completed during 2020 and 2021. In bioenergy, the biocombustion of the Asnæs Power Station as I mentioned has been completed, and the plan is now running on certified sustainable wood chips, supplying consumers with green heat and power.

Due to recent upgrades to our Renescience facility in the UK, we were not able to commission the plan in 2019 as we had hoped for. That said, it has been confirmed that the core instamatics sorting process works as expected, so the main challenge remains the mechanical sorting process. While we remain optimistic about getting the plant fully up and running this year, we have taken an impairment charge on the asset, reflecting a prudent view on the project.

Moving onto slides 10, 11 and 12 and a look at the latest market development across the different offshore wind regions. In 2020, we are looking into three auctions at the US East Coast. In the first half of the year, we expect Maryland to host their second auction with a capacity of a minimum of 400 megawatt. In the second half of the year, both New Jersey and New York are expectedly having their second auctions, with capacities of 1200 megawatt in New Jersey and at least 1000 megawatt in New York.

Back in June, Governor Ned Lamont in Connecticut signed legislation approving procurement of additional 2 gigawatt of offshore capacity. With the recent award of 800 megawatt, Connecticut has a further 1200 megawatt that still remain available for future solicitations.

In November, New Jersey Governor Phil Murphy signed an executive order targeting 7.5 gigawatt of offshore wind by 2035 and thereby more than doubling the state’s previous 2030 target of 3.5 gigawatt. Just a few days ago, Governor Murphy released an energy master plan for how to reach 100% clean energy in New Jersey by 2050 with offshore wind being a central part of the plan.

Earlier this year, Rhode Island Governor Gina Raimondo signed an executive order making Rhode Island the first US state to be 100% powered by renewable energy by the end of this decade. Offshore wind is set to play a key role in this decarbonisation of Rhode Island’s energy system.

We applaud the ambitious targets set by a number of governors on the US East Coast. We need this type of bold commitment and leadership to stymie the threat of climate change.

As part of our commitment to build an offshore wind industry supply chain in the US, we recently announced the opening of our innovation hub in Providence, Rhode Island. The purpose of the hub will be to identify, foster and where appropriate, finance enterprises related to offshore wind with a focus on next generation technology and innovation. As a key part of this process, the innovation hub will leverage Rhode Island’s existing innovation ecosystem.

On December 20th last year, President Trump signed into law an extension of the federal tax credits. The law extends the investment tax credit by one calendar year and increases the value year over year from 12% to 18% for qualifying investments made in 2020. Similarly, the production tax credit was extended by one year with an increase in value from 40 to 60%. We have started exploring those options, but will need a bit more time to determine the potential value of the tax credit extension.

As is evident offshore wind has experienced rapidly growing support in the US with seven states on the US East Coast now committing to installing a total of more than 25 gigawatt offshore wind capacity by 2035. The Bureau of Ocean Energy Management is currently conducting an analysis of the cumulative impacts from the build out of US offshore wind projects, and the data from this study will subsequently be included in the permitting template for offshore wind projects in the US. We fully support taking a thorough and holistic approach to how offshore wind impacts other stakeholders, including fishing communities and local residents. We have already addressed stakeholder feedback and concerns in our construction and operation plan applications, amongst others by proposing a one by one nautical mile grid to accommodate shipping, coast guard and fishing interests.
That said, the analysis was announced after we were awarded our projects and was therefore unknown when we calculated our project timelines. And it’s clear that there has been some delay in the offshore wind permitting since the announcement of the cumulative analysis as part of the vineyard wind permitting process. We will not have a complete picture of the impact until BOEM concludes their analysis. We cannot rule out that delays might occur but we’ll have to await that BOEM outlines a road map for when projects can expect to receive construction and operations plan approvals. We will of course, explore all options to offset any potential delays by exercising the flexibility we have in our PPAs and in our OREG agreements to accommodate for changes in timelines. We remain very excited about our US project portfolio and the growth potential in US offshore wind and look forward to providing a full update on our US build out at our capital markets day in June.

Turning to slide 11 and the recent market developments in the UK and continental Europe. In December, the UK government confirmed a target of 40 gigawatt offshore wind by 2030. The new target is an amendment of the previous target of 30 gigawatts by 2030 in an effort to reach net zero emissions by 2050. The application for our Hornsea 3 project is currently being determined with a consent decision expected during second quarter this year.

The Crown Estate launched the fourth leasing round opening up the potential for at least seven gigawatts of new seabed rights for offshore wind developments in England, Wales and Northern Ireland. The tender process commenced in October last year and will run until autumn this year. The new seabed rights could be awarded as early as 2021, with developers then progressing to seek planning consent for their own projects through the statutory planning process.

Moving to the Netherlands, where the bid deadline for the upcoming tender of up to 760 megawatts for Holland Coast North has been postponed by two weeks to April 30th this year.

Finally, Poland's Ministry of State Assets has published a draft legislation to promote offshore wind power aiming to award 9.6 gigawatt of capacity in the Baltic Sea by 2027 based on 25 year CFDs. Poland plans to award contracts for the first 4.6 gigawatt from predeveloped projects by the end of 2022 under a CFD system with a fixed price set by the government. The remainder of the capacity is planned to be tendered in at least two competitive CFD auctions by 2027. We’re very excited about the long-term build out of offshore wind in Poland and its potential to support local decarbonisation and economic activity.

Turning to slide 12 and Asia Pacific. During the inauguration of the second phase of our partly owned 128 megawatt Formosa 1 offshore wind farm in Taiwan, President Tsai revealed Taiwan's ambition to add an additional ten gigawatt of offshore wind capacity between 2026 and 2035. The framework for Taiwan's third auction round is expected to be announced during second quarter this year. The capacity and exact timing for the auction is still unknown.

In Japan, we continue to progress our partnership discussions with TEPCO. The preliminary selection for the second round of promotional zones has commenced. In the first round, 11 areas with a capacity of approximately seven gigawatt were designated as potentially suitable for development of offshore wind. Four of these 11 areas, including the Choshi area, have been selected as perspective areas and will work towards qualification during first quarter this year. The Japanese Ministry of Economy, Trade and Industry is targeting a first auction to take place in the second half of this year.

Turning to slide 13. This slide provides an overview of the many expected offshore wind auctions and tenders in 2020 and 2021, highlighting the accelerating global demand for offshore wind. We have during 2019 seen many governments raise their build out targets and we will during the 2020s see a significant increase in annual awarded capacity. After more than 10 gigawatt being awarded for the first time ever in 2019, we will likely see a step down in 2020 before 2021 potentially and expectedly reaching a new all-time high in terms of total global awards. And as we progress further into the 2020s, we would expect to continue towards being in a range of 10 to 15 gigawatt and later on as we move into the back half of the 20s, we would expect the market to continue and move beyond 15 gigawatt in annual global awards.

This concludes the offshore market development. Let's turn to slide 14 and the progress of our US onshore business.
We have made significant progress over the past year, building our position as a multistate developer with a strong portfolio of projects in operation under construction and under development. In November we took final investment decision on Permian Energy Center, our first large-scale solar wind farm, which will be a combined solar PV and storage project. With the FID our total installed and decided onshore capacity now stands at 2.1 gigawatts.

Our strategic ambition is to build a leadership position in the North American onshore renewables market. Since entering the US onshore market, we have doubled our operating portfolio and it will more than double again by 2021. We continue to see solid risk return investment opportunities in the market. This encouraging development allows us to set a target of five gigawatt of installed onshore capacity by 2025. While our portfolio will remain largely onshore wind dominated, we will also look to grow our solar PV capacity, enabling us to broaden our growth platform and capture the benefits of diversification and integrated customer offerings.

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

Marianne Wiinholt

Thank you, Henrik and good afternoon from me too. Let's start on slide 15 where I will go through the group's financials for Q4 19. In Q4 19 we realised an EBITDA of 4.6 billion adjusted for the earnings from new partnerships in Q4 18 of 15.1 billion. EBITDA was 0.5 billion, or 11% higher than Q4 18.

In offshore we realised higher earnings from our operating wind farms, which increased by 13% due to the ramp up of generation from Hornsea 1 and Borkum Riffgrund 2. Earnings from existing partnerships were lower. Earnings in onshore was 0.1 billion above Q4 18, driven by higher generation from new wind farms in operation.

EBITDA from LNG was 0.6 billion lower than Q4 18 and included the negative impact of 0.8 billion related to the divestment of these activities. The remaining markets and bioenergy was 0.8 billion above Q4 18. The increase was driven by a positive effect from the accounting value of our gas storage due to increasing gas prices in Q4 19, compared to decreasing gas prices in Q4 18.

The implementation of IFRS 16 contributed with 171 million in Q4 19 with roughly half of it in offshore. Net profit totalled 0.9 billion, a 14.3 billion decrease compared to Q4 18. Adjusted for the Hornsea 1 farm-down gain net profit was 0.4 billion lower due to impairment losses of 0.6 billion related to our Renescience plant in the UK and our 20 megawatt battery storage, Carnegie Road in the UK.

Free cash flow from continuing operations was negative 3.6 billion. In Q4 19 cash flow from operating activities came in at 4.8 billion, mainly driven by EBITDA which was partly offset by funds tied up in working capital and mainly from higher receivables at year end.

Our growth investments for the quarter totalled 8.8 billion, primarily related to construction of our offshore wind farms, Hornsea 2 and Greater Changhua 1 & 2a and Borssele 1 & 2 as well as onshore projects, Sage Draw, Plum Creek and Permian Energy Center. Divestment cash flow totalled 0.4 billion.

If we then turn to slide 16 and our net interest bearing debt and financial ratios. Our net debt at the end of Q4 19 amounted to 17.2 billion. The 5.1 billion increase in the quarter primarily related to the negative cash flow, as I just described, as well as a negative 1.1 billion impact from exchange rate adjustments mainly related to the strength Sterling rate. Our key credit metric FFO to adjusted net debt stood at 31% in line with our target level.
Our return on capital employed came in at 10.6% and the decrease compared to 18 was mainly due to the farm down gain from Hornsea 1. The return level was around our target of an average return on capital employed of approximately 10% for the group in the period 19 to 25.

Then let’s move to slide 17 and the results of the business units. In June, we decided to consolidate the business units customer solutions and bioenergy into a new business unit named markets and bioenergy. As we run the business based on an end to end value chain thinking, we also decided that all activities and earnings that relate to offshore and onshore will be reported in these segments, even if the daily activities are performed on behalf of the group in markets and bioenergy. Therefore earnings from trading related to hedging of our power exposures and power portfolio optimisation activities in relation to offshore and onshore are now presented in these business units. For the full year 19, EBITDA of 725 million were transferred to offshore and an EBITDA of minus 18 million was transferred to onshore. In 2018, 237 million was transferred to offshore.

In offshore, power generation amounted to 3.9 terawatt hours, an increase of 20% compared to Q4 18, primarily due to ramp up of generation from Hornsea 1 and Borkum Riffgrund 2, which together added 0.60 TWh in the quarter. The windspeeds for Q4 amounted to an average of 10 metres per second, slightly below Q4 18 and the normal wind speed for the quarter. For the full year 19, the wind speeds were 9.2 metres per second, which were in line with the normal windspeeds for our current portfolio.

Availability for the quarter amounted to 93%, which was in line with Q4 last year. The full year availability, which also came in at 93%, was negatively impacted by the unusually high level of great containments and outages. Adjusted for these effects our availability was 96% in 2019.

EBITDA for the quarter amounted to 4 billion, which was 14.8 billion lower than Q4 18, including new partnerships and 0.3 billion higher when excluded. Earnings from the sites, O&M and PPA increased 13% due to ramp up, again Hornsea 1 and Borkum Riffgrund 2, while good performance from trading activities related to hedging of our UK energy exposures also contributed to the higher earnings. The reason for the higher growth in power generation compared to site EBITDA is that currently only a third of the Hornsea 1 production is covered by the CFD, while the rest of the production is sold at market prices. As previously communicated, the remaining two thirds will be covered by CFD as per 31st of March 2020 and 31st of March 2021, respectively.

Finally, the project development costs amounted to 0.6 billion in line with Q4 18 and mainly related to our development activities in the US. Cash flow came in at negative 1.7 billion in Q4 19. EBITDA was partly offset by funds tied up in work in progress, due to the construction of the transmission assets at Hornsea 2, and we invested 5.4 billion in the construction of Hornsea 2, Greater Changhua 1 & 2a, Borssele 1 & 2 during Q4 19.

If we then turn to slide 18 and onshore, In onshore, power generation amounted to one terawatt hours in Q4 19, an increase of 0.4 terawatt hours on Q4 18. The increase was driven by the ramp up of generation from Tahoka and Lockett and higher availability. Their availability was very high, at 98%. EBITDA came in at 0.2 for the quarter, an increase of 0.1 billion. Earnings from sites increased due to the higher generation, while production tax credits added an additional 0.2 billion. This was partly offset by project development costs.

Free cash flow amounted to negative 2.8 billion in the quarter. The EBITDA was offset by gross investments of 0.9 billion related to Sage Draw, Plum Creek and Permain Energy Center.

If we then turn to slide 19, I will present the results in markets and bioenergy. EBITDA came in at 0.5 billion, up 0.2 compared to Q4 18. Earnings in gas markets and infrastructure increased due to a positive effect from accounting value of our gas at storages, due to the increase in gas prices, compared to an opposite development in Q4 18. In addition, good performance from optimisation of our gas assets contributed positively to the results.

EBITDA from the CHP plants and distribution, B2C and City Lights was in line with Q4 18. The divestment of our LNG activities had a negative impact of 0.8 billion in 2019 as the agreement entails a larger payment than what we had provided.
for. This was partly offset by good performance related to optimisation of LNG deliveries and reversal of negative timing effects from previous periods. In total, the contribution from LNG was 552 million more negative in Q4 19 than Q4 18.

Free cash flow in Q4 19 amounted to a negative of 0.7 billion. EBITDA was offset by higher receivables and lower payables and investments of 0.5 billion, which primarily were related to Asnæs bioconversion and the power distribution network.

Turning to slide 20. During 2019, we have seen better than expected results from our trading activities related to the hedging of our UK energy exposures. And I would like to do a deep dive into this development. As mentioned earlier offshore had an extraordinary high positive impact from power trading related to power hedging, an optimization of 725 million in 2019. In 2018 power trading contributed with 237 million.

Our market trading function actively manages the market risk for our total energy portfolio through commodity trading and other risk management activities. Specifically, market trading hedges grew power exposures into the traded markets to increase cash flow stability. As some of our market exposures are not very liquid, market trading has the possibility to make so-called proxy hedging, which within strict mandates allow our traders to reduce our market risk by exploiting correlations between our underlying and less liquid exposures and more liquid trading instruments.

Our UK power hedging strategies includes a time spread strategy, where part of our longer dated power exposure is hedged by rolling shorter dated hedge instruments, as well as a spark spread strategy, where we likewise hedge part of our longer dated UK power exposure by selling gas, exploiting that the UK power price to a large extent is driven by gas prices. Both of these trading strategies are commonly used to hedge our exposures due to the higher liquidity and lower costs. Results from our market trading activity has, as I said, been extraordinarily high in 19 and that's primarily because both these hedging strategies for the UK power exposures turned out to be very favourable for us. During 19 the UK power forward prices decreased in the front and increased in the far end of the forward curve, resulting in gains on the time squared hedges for UK wind farms.

At the same time, the UK power forward prices also increased relative to the corresponding gas prices, resulting in a gain on our spark spread strategy. It is important to emphasise that 2019 was special because we experienced an unusually long period where the price development in the short and long end of the power curve and the development between the gas and power curves both developed in our favour, resulting in higher than expected profits.

Our market trading activities are continuously monitored by our Risk Management department, where the risk governance setup includes limits for value at risk stress scenarios at net open positions. So this concludes the group’s finances for Q4 19 and then let’s turn to slide 21 and the outlook for 2020.

We expect the 2020 EBITDA excluding earnings from new partnership agreements to be between 15 and 16 billion against 17.5 billion in 2019. On this slide, I will highlight the main developments compared to 19 before I go into further details on the business units guidance on the next slide.

As in previous years, our guidance only includes existing offshore partnership agreements. We had no new partnership agreements in 2019, but EBITDA from existing partnerships amounted to 3.8 billion in 19. In 2020, the EBITDA from existing partnerships is expected to be very limited.

In 2019, we signed the agreement to divest our Danish power distribution residential customer and City Light businesses and we expect the transaction to close in the first half of 2020 and our EBITDA guidance includes earnings for the first half of 2020. Our 19 results furthermore included a positive effect from the provision reversal related to the Elsam competition case, while we incurred a loss in our LNG business of 1 billion in 2019 altogether. Our LNG activities will break even in 2020. These effects bring the comparable 2019 group EBITDA to approximately 13.7 billion, meaning our 2020 guidance corresponds to an expected underlying growth between 1.3 to 2.3 billion on 2019 EBITDA or 9 to 17%.
Offshore will expectedly see an increase in earnings from wind farms in operation driven by the ramp up of generation in 2020 from Hornsea 1 and Borssele 1 & 2. Furthermore, as I've mentioned before, an additional 400 megawatt of capacity at Hornsea 1 will receive the CfD price from 31st of March. Lastly, we expect lower expense project development costs.

In onshore, we expect to see positive impact compared to 19 from ramp up generation from our wind farms.

Finally, the earnings in markets and bioenergy, adjusted for the effects I just described before, are expected to decrease due to the temporary shutdown of the Tyra gas field, which will lower earnings from both the gas portfolio and our offshore gas pipelines.

Growth investments for 2020 are expected to amount to 30 to 32 billion. The outlook reflects a high level of activity in offshore with continued investments in both Borssele 1 & 2, Hornsea 2, Greater Changua 1 & 2a and our US activities, as well as onshore investments in the construction of Plum Creek, Willow Creek, Sage Draw and Permian Energy Center.

If we then turn to page 22, covering a more detailed outlook for our business units. The 2020 EBITDA for our offshore division is expected to be lower than 19. The earnings from offshore wind farms in operation is expected to increase from ramp up of generation at Hornsea 1, which was commissioned in December 19 and Borssele 1 and 2, which we expect to commission at the end of Q4 2020.

We will also see a positive effect from the additional 400 megawatt of Hornsea 1 capacity covered by CfD from the end of March. In contrast, we expect lower earnings from trading, as we do not expect to repeat the very positive results from 19.

As mentioned on the previous slide, earnings from existing partnerships is expected to grow from 3.8 billion in 19 to very limited in 2020. The expensed project development costs are expected to be lower in 2020 than in 19.

Moving to onshore, where EBITDA for 2020 is expected to increase. The increase in earnings comes from a full year of production from Lockett, which was commissioned in July 19, as well as ramp up of generation from new wind farms coming online in 2020, including Sage Draw expected in Q1 2020 as well as Plum Creek and Willow Creek, both expected in Q4 2020.

Finally, markets and bioenergy, where we have EBITDA for 2020 expected to decrease. The underlying earnings from our CHP plants are expected to be in line with 19 when excluding the Elsam provision reversal.

Earnings in gas markets and infrastructure are expected to decrease due to this temporary shutdown of Tyra, which will be in effect from late 19 until 2022, which lowers our earnings in the gas business. However, we do not expect a repetition in 2020 of the negative effects from revaluation of our gas at storages.

Earnings from LNG activities are as I said expected to break even in 2020, as we in 19, have provided for the expected loss from the divestments and the expected operating loss in the period until closing. So the loss from our LNG activities will thus go from 1 billion in 2019 to zero in 2020. Earnings from power distribution and residential customers and City Light businesses are expected to be approximately half of the 1.3 billion earnings in 19 as we have included only earnings for the first half-year.

Slide 23. Recaps our 2020 guidance, as I just described, and our long-term financial estimates and policies, which are in line with the updates we presented in October 2019.

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

Operator

Thank you. 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 your questions answered before it's your turn to speak, you can dial 02 to cancel. So once again that's 01 to ask a question or 02 if you need to cancel.

Our first question comes from the line of Kristian Johansen of Danske Bank, please go ahead. Your line is open.

Kristian Johansen

Yes, thank you. Two questions from me. First one, Henrik, you talked about this environmental impact assessment, which BOEM is doing. Can you just elaborate a bit more on what the potential impact on the expected return on your US projects could be and how much visibility you have on that at the current stage?

Henrik Poulsen

Frankly it's impossible for me to comment on it today, Kristian. We still need BOEM to come out with an announcement that will give us more visibility on what this means for our timelines. As I said earlier, we do have some flexibility in our PPAs and our OREC agreements to basically accommodate changes to the timelines without running into any financial penalties of any kind. At the same time, we obviously have a number of other moving parts in our US development portfolio at the moment, including clarifying the potential of the extended tax credits, so we have a number of moving parts and therefore I would not be able to give you sort of an update today on the US portfolio other than saying that we remain quite happy about the development portfolio and we also remain quite confident that we will be able to extract the value from the portfolio that that we hoped for. But we need a few more months, probably, to work through the entire portfolio and the implications of the cumulative impact assessment and the tax credit extension. That's also why I said that we look forward to giving you a full update at the capital markets day in June. Frankly speaking, that is probably the right timeline in terms of giving us the time needed to further mature the portfolio and come back to you at that point and give you more visibility. But let me just be clear in saying that we have absolutely no reason to believe that we are looking into any significant value deterioration of any kind.

Kristian Johansen

OK, that's fine. Thank you. Then my other question is in terms of your onshore business and this target of five gigawatts by 2025. So that additional three gigawatt you will add in the first half of the 2020s. How do you expect the return for that portfolio will compare to the two gigawatt you expect to build up until 2021? And I'm obviously especially interested in the considerations given a decline in production tax credit.

Henrik Poulsen

Clearly the decline in PTC we have to mitigate that through cost of electricity reductions and over time, also a realignment of PPA pricing and we have some confidence that both of those mitigants will be able to contribute and
therefore we still continue to see meaningful value spreads in the projects that we are currently looking at in our development pipeline so overall, I’d say we have been, if anything, positively surprised by the performance of the onshore division in 2019. We continue to see very significant potential in the years to come. So I’d say we are looking at enough, in our view, a very meaningful and healthy growth opportunity towards 2025.

I’m not going to start saying, we had this kind of spread on the first two gigawatt and we expect that kind of spread on the next three gigawatt. Frankly speaking we wouldn’t have the exact visibility to even start running those numbers, but I can only say what we see today looks quite attractive.

Kristian Johansen

That’s clear. That was all for me. Thank you.

Operator

Thank you. And our next question comes from the line of Casper Bloom of ABG. Please go ahead. Your line is open.

Casper Bloom

Thanks a lot. I’m going to start off where Marianne almost ended with the trading, which is now part of, among others, the offshore business and part of sites. I understand that you think you’ve done well here in 19. Could you give any kind of guidance – what would be sort of a normalised assumption to have for this kind of trading business going forward?

Basically, so we can back out what used to be the predictable part of that division, i.e. the earnings production from sites.

Marianne Wiinholt

I cannot give you a number, but I would say that over the last five years, we have seen big swings. But we have never seen results lower than approximately 200 million per year in that area, but it will fluctuate and we will have some really good years and we will probably have some years where which will not be as good, but what we will do, we will give you visibility on the number so that you can separate what is the site earnings and what is the earnings coming from trading.

Casper Bloom

OK, that would be very appreciated if you can do that going forward also. Then secondly, regarding a potential farm down in Taiwan. You previously mentioned it could happen, both in 2020 or 2021. Any kind of news on when we might see that happen?
Henrik Poulsen

The process is progressing exactly as planned, so everything is looking absolutely fine. It's difficult to predict the exact timing. We would remain optimistic that we could get to a signing sometime later this year. But it's difficult to predict the timeline between signing and closing which obviously impacts our books, simply because of the regulatory approvals being a relatively unpredictable timeline. So what I'm trying to say, Caspar, in short is that it could happen late 2020, but it's also with some likelihood it could also be 2021.

Casper Bloom

OK, that sounds like flip a coin for that one. Then just finally from my side, now you've sold a lot of things the last couple of years and you are left with now a very, very green business. Are there any sort of obvious ones you would say could go within the next couple of years? Could it be the power plants, for example, that you would look to divest that and focus more on the real green energy production?

Henrik Poulsen

Well, right now, I'd say we're just focused on closing the divestment of Radius, B2C and City Lights and now also the LNG business. That's keeping us quite busy at the moment. We are also in the process of divesting part of our B2B sales business. So I'd say we have our plate full. We have no plans at the moment to divest the power plant division. It's producing solid results. It has been fully converted to sustainable biomass so we don't see any urgent need there, so that's not in our plans.

Casper Bloom

OK, thanks a lot.

Operator

Thank you, 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 a few questions, so let me start with the financial ones for Marianne. So could you talk a little bit about tax? Saw that this year the effective rate was 31%. What does that bode for future years? Is it still around 20/22%? And then the cash outflow on taxes was 4.8 billion versus the charge of 2.8, so again if you could just clarify how much was one off, or should we be modelling anything similar for the next few years?

Then I have a few questions just on the other markets and growth. So for Poland, will the first auction just be administratively determined and would there be competing projects or is this almost a done deal that PGE would get a project and hopefully you would share, so any insights on how the pricing might work or at least the mechanics?
And I guess I had a follow up question also on Virginia, which now has a target and it seems like Dominion has been talking about building those 2.6 gigawatt project. I was just wondering what the arrangement there might be given it appears that Dominion is probably going to put this in their own rate base. I was just wondering how you might participate in this opportunity. Those are the questions from me. Thank you.

Marianne Wiinholt

First the tax questions. On the tax rate, yes, you are right. It is higher than the around 22 which we have guided on previously. One of the things impacting the tax rate is this impairment where we are not taking tax deductibility for that. And there’s also some other factors that increases the tax rate this year. That's not what we expect going forward. It is more in with timing for 19. So we expect to have these around 22% going forward. On the higher current tax compared to the P&L tax. It is driven by Hornsea 1, the gain from Hornsea 1. We are taxable of the CA part of the gain when we commissioned the plant. So therefore the gain that we realised in 18 goes into the 19 taxable income, so that was the difference.

Henrik Poulsen

On Poland, Deepa, it is our understanding that the initial 4.6 gigawatt will be allocated in a government administered process to some of the projects that have already undergone significant development in order to get the offshore wind buildout off the ramp relatively fast and of course, the Baltic portfolio that we are discussing with PGE would be candidates for such an initial allocation, but there are also other projects under development in Poland at the moment that would be eligible for such an initial allocation. So it would be taking it too far to say that there’s any done deal. That’s certainly not the case. But we would consider the Baltic portfolio to be one of the more strong contenders in such a government controlled allocation.

In terms of the pricing, we have no visibility on the pricing just yet. It is our impression that it will be a strike price determined by the Polish government. We've seen some early drafts on what the broader regulatory framework will look like and that looks quite standard and in line with what we would have seen in other developed markets.

In Virginia, Dominion has made a decision to move the 2.5 gigawatt project forward and as you rightfully mentioned, they will move it into the rate base, which obviously sets some limitations on the type of collaboration that they can establish with third parties. We still have a good strategic dialogue with Dominion. We remain good partners on the current pilot being constructed this year and we maintain a dialogue with Dominion on also other partnership opportunities. But specifically under 2.5 gigawatt, it would be too early for me to conclude on whether there's any role for us or not. We'll have to wait and see.

Deepa Venkateswaran

Alright, thank you.

Operator

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

Yeah, good afternoon. Two questions from me. One just continuing the theme of new markets and on Japan. Could you tell us what you expect the terms of the auction to be? Is it going to be purely a price-based auction? Will it be something like we saw in New Jersey for example, where the quality of the bid and the bidder forms part of that decision? And also do you have any visibility at the moment on how many competitors you will have? And then on guidance, your IR team very kindly sent round a consensus ahead of results and your EBITDA guidance, I think on a like for like basis for 2020, 15–16 billion compared to the consensus of 16.4 looks a little bit like presumably you know where the differences are. And I was just wondering is that in offshore, onshore or in markets.

And also on capex, similarly you’re guiding to 30–32 billion of gross investments next year. Street’s at 26, I think. I’m just wondering what the delta is there. Is that some of those cost pressures, for example, that you flagged on your US projects or is it just you’re accelerating various things, like onshore wind? So those are my questions.

Henrik Poulsen

Could you repeat the last question? I’m not sure I understood exactly what the question was.

Peter Bisztyga

So the last question’s on your capex or gross investments guidance for 2020. You’re looking at 30 to 32 billion. Consensus is at around 26 and that 30 to 32 is a big increase on 2019, and I’m just wondering how much of that is delta versus where the street is due to cost pressures, for example in the US business that you flagged a few months ago. Or how much is just the fact that you’re building more stuff more quickly?

Henrik Poulsen

Let me start out with Japan and the capex question and Marianne will come back to EBITDA and where we saw a deviation against the consensus on the guidance. For Japan, we have not yet seen the final framework for the auction and we do not yet know the volume of the auction. However, the Japanese government have previously issued some preliminary frameworks for allocation where price will be a key parameter, but there will be a number of other qualitative criteria applied as well in terms of your experience and your track record in offshore wind. So there will be a broader set of both quantitative and qualitative criteria applied in Japan.

We do not have any full visibility on exactly how competition is going to shape up in Japan. It’s a market still in development and there is a lot of activity right now, but it’s a market where we have relatively limited visibility on exactly who’s going to be ready for an expected auction during second half and who will have projects ready, allowing them to bid. Our focus right now is working with TEPCO to make sure that we get our Choshi project qualified and ready for a potential auction later this year.

On the capex guidance for this year and the deviation to consensus, that is purely driven by increased activity. It is not related to cost pressure. I think this is simply a deviation where we have seen more progress on a broader front of construction projects, reminding you that we are building offshore wind projects in three different regions now and at the same time, we are currently constructing three onshore wind farms and a solar project, so it’s a massive construction
programme and coming back to the overall target of 200 billion between 19 and 25. The 30 billion is pretty much the type of run rate we should expect going forward.

Marianne Wiinholt

Yes, and then back to your guidance and the way we see a deviation compared to consensus. It is in offshore. There is also a deviation in onshore and markets and bioenergy, but those actually net out. So the deviation is in offshore.

Peter Bisztyga

OK, if I may as a sort of follow up. Anything particularly in offshore that isn't perhaps quite as good as we might have hoped?

Marianne Wiinholt

No, not as we see it, no. So actually it is hard for us to see what the deviation relates to.

Henrik Poulsen

I think what you have to bear in mind is that we obviously had a very strong year 19 in terms of growth from the sites and everything is on track with the construction portfolio and the site EBITDA growth in 2020, will be driven by the ramp up or the full year production from Hornsea 1 and some late ramp up from Borssele 1 and 2 and then of course from the onshore division. And when you look at the 20% average growth target we’ve set for 2017 through 2023, you will inevitably have years where we are slightly above 20% and you’ll have years where we’re slightly below 20%. It all comes back to the construction and ramp up profile in our buildout portfolio and that portfolio is progressing absolutely unplanned, so I think this is simply just a matter of aligning the timelines of the different construction efforts and converting that into a growth target for 2020.

Peter Bisztyga

OK, so phasing effects rather than anything to be concerned about? OK, very helpful.

Henrik Poulsen

It can be difficult to get them absolutely right year over year. You will see fluctuations around the 20% growth rate, that's clear, but that average long-term growth rate of 20%, we remain very comfortable about that.
Peter Bisztyga

Great, thank you.

Operator

Thank you. And our next question comes from the line of Elchin Mamado of Bloomberg Intelligence. Please go ahead. Your line is open.

Elchin Mammadov

Hi there, my first question is on transmission. We’ve seen some issues with the western link here in Britain, that some wind generators have in their output curtailed. Do you see the transmission being an issue for the broader wind sector in general or is this specific to this particular project? My second question is on the trading business. You’ve had a good year but so did many other utilities, oil majors and commodity trading houses. In the news they often say it’s mostly because of volatility. It’s early days but we’re seeing quite a low volatility already at the start of this year, so if that persists should we expect another strong year for your trading profits or not? And the final question is on your bonds. Are you seeing any meaningful spread between green finance and non-green bonds? Yeah, that's all from me. Thank you.

Henrik Poulsen

On the transmission part, the curtailment that we have experienced in the UK is a very particular issue following an outage which was a very rare event so that's not something that I in any way would extrapolate. That said, transmission obviously is a key thing in all markets at the moment. We have many markets where investments are needed in transmission, in interconnection. And it is one of the key things to develop in all of our projects. So both in the UK and other European markets and at the moment also in the US, getting the right interconnection, getting the right transmission capacity will always remain a critical component in any project. But what the issue in the UK in particular was, what we'd consider an anomaly.

Marianne Wiinholt

Yes, and then to your question around trading. I think it is important to emphasise that in a way we are not a mini trading house. We do the trading to reduce the risk and we do it within a very limited VAR mandates so if you compare to some of these other players, of course, we benefit from volatility. But what we have benefited from in 2019 is not as much as the volatility, it is the hedging strategies that has turned out to be positive. So just to point out that. Then the next question on the bond. Yes, earlier we did not actually see any difference between green or non-green bonds. Now we are starting to see a marginal difference, but not big.

Elchin Mammadov

Thank you.
Operator

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

Alberto Gandolfi

Thank you and good afternoon. I have three on my side. The first two are a bit bigger picture and the third is a little more specific to results. So the first one is, could you please – I’ve seen some of the interviews you’ve sent out about reaching net zero carbon emissions. The European Commission has been talking about the Green Deal. Green New Deal. The EU energy strategy, which was published last year was already talking about an upper end of offshore wind in Europe of 400/450 gigawatts by 2050 and that was not a net zero paper. So the question I have for you is with a specific module due to come out this year in Europe, how much do you think could be just the European market by then, and maybe can you share some light of the basically 100% clean targets you mentioned earlier today that we are likely to see, for instance, that right now in Rhode Island or New Jersey. How much could of the total power generation mix be offshore from a percentage perspective?

The second question is, can you maybe elaborate a little bit more on your ability to keep up with a rising number of auctions in the global market? If we are moving to 20/25 gig, can we see you participating to all of those? Maybe ex China. So what is your ability to ramp up your business and what is a sort of an ideal market share you’re thinking about in the medium run? I mean, I don’t know. Is it 10% is it 5%, is it 20? Do you think you can lose nine megawatt to win one or do you need to lose three or four to win one? I don’t know if you had any thoughts about that.

And the last question is a bit on your offshore deviation, shall we say, for your guidance. Do you have a feel going a little bit maybe deeper, do you have a feel how much of that could be the normalisation of trading vis a vis some estimates, not including an escalator for the CfD in Hornsea 1? That’s quite relevant, and I think that what I’m trying to understand: how much of this deviation, let’s say, is a timing issue for 2020 and 21 and when Hornsea CfD is fully in place suddenly, actually you don’t see really much of an offshore deviation in consensus. Thank you.

Henrik Poulsen

Thank you, Alberto. On the European Green, the new Green Deal. It is obviously very difficult to predict. It’s the right ambition. It’s a bold ambition. And it is a major opportunity for Europe to lead the world in this area. It is one of the industrial sectors where Europe, in fact, is a global leader in terms of technology and I do believe the Commission is getting it right when setting a very bold ambition to reach net zero by 2050. Ultimately that one €1 trillion-deal needs to trickle into action down through the countries and each country needs to find a path towards net zero and towards complying with the Paris Agreement.

And many countries in Europe are still not on a track where the buildout of green capacity and the phase-out of coal will get them on that track towards meeting the Paris targets. So ultimately, you’re going to have to see all of that driving higher national buildout targets. We see it happening step by step, but I do believe there is more to come over the next couple of years. Whether that’s going to reach 450 gigawatt potential by 2050 or even more, again it’s impossible to predict today so I’m not even going to attempt it. But there is no doubt that the potential for offshore wind in Europe is huge and I think today people have come to recognise that what just two or three years ago was a niche renewable technology has turned into a major component in the future European energy mix, as also alluded to by IEA just a couple of months ago.
So we do expect the European offshore wind buildout to accelerate during the 2020s. I said earlier that as we move through the 2020s we will be going in a range from ten to 15 gigawatt globally per year, but we will quickly start moving into a range of 15 to 20 gigawatt per year. And if we further accelerate, we may even have to revise those targets up as we move further into the 2020s, so they're potentially significant.

In terms of the type of share that offshore wind can command in the future engine mix, again, very difficult to predict but in countries like Denmark and the UK, offshore wind is already now on track to become a very significant component in the future electricity mix already by 2030.

This will of course over time also drive more options and more tenders and we are seeing that. You saw the slide in our deck for today where we reach more than 11 gigawatt awarded in 2019 and we see the number of options and tenders still increasing around the world in the years to come. Our ability to match that opportunity is obviously something we are constantly working on and right now, we are building a regional capability in Asia, in North America, in the UK and in continental Europe and we are further strengthening all of these regions in order to make sure that we can follow the growth opportunity for the long term.

So far, we stick to our target of 30+ gigawatt total renewable capacity by 2030, and we will obviously constantly monitor whether the market should lead us to a bigger ambition. But for now we still feel that's the right ambition. If you translate that into how much offshore wind we would need to build in the years to come, you can start packing that into how much we would need to take out of the market that is now approaching 15 gigawatt per year. And it goes without saying that we will no longer need to maintain the 30% market share that we've seen over the past six/seven years. That will not be required in a market once it starts moving to 10/15/20 gigawatt per year. So of course over time, our wind rate can come down while still supporting a very ambitious, long-term growth strategy of the company.

**Marianne Wiinholt**

Yes, and then to the deviation between our guidance and consensus. You are right. Both of these two could be explanations for the deviation. I, however, believe that it is more the timing. The reason being that we have continuously, over the last year, pointed out this point about the CfD for Hornsea 1. Of course, it might be someone's missed it, but we have said it again and again. And then I also feel that most of you have included the trading results in markets and bioenergy because you haven't had very much visibility before we actually come with this annual report. But you are right, it might be part of the reason.

**Operator**

Thank you. Our next question comes from the line of Alex Lang at UBS. Please go ahead, your line is open.

**Alex Lang**

Hi, Alex Lang. As always, thank you for the presentation. We had a question on market development. There’s clearly a risk that the offshore wind market will go through a period of intense competition and pressure on returns and perhaps even more so if the oil majors continue to grow their presence as you highlighted in the slides today. So the question is how would you handle that scenario if it came about? Would you cut returns and compromise on value, if necessary, to ensure you still win projects? Would you be happy, say, to go a period of years without winning any new project if auction returns fall below your current hurdle levels? Thank you.
Henrik Poulsen

Thanks, Alex. It's a complex question, that goes without saying, but if you look back over the past three years we've seen very intense competition in offshore wind with a number of players, both infrastructure, energy and oil majors being in the mix and over those three years we have been able to still win projects every year and still maintain decent value creation on our project portfolio. So, so far we have no reason to believe that we cannot continue to win projects, grow the company and create value. There is of course, a competitive intensity, no doubt. On the other hand, as we just talked about in response to the questions from Alberto, we are also seeing a market that keeps expanding, so you have this dynamic at the moment where you see increasing demand for offshore wind around the world, but you also see more competition coming in, more capital being available in the market and in that dynamic it's our job to basically keep reducing the cost of electricity, keep reducing the cost at which we can produce offshore wind electricity, and then maintain our cost competitiveness. And from thereon, you need financial discipline. I don't think it would serve anyone if we lost our financial discipline and that means we need to keep insisting on having value creation in our projects.

If we can't create meaningful value, we shouldn't take the projects. That's a road to nowhere for this company. We need to keep it strategically and financially healthy and we remain committed to that. Can we do that? I remain convinced that the company is in such a strong position that it can continue to grow and create value at the same time.

Alex Lang

Great, that's really helpful. Thank you.

Operator

Thank you, and as we are running out of time our last question will come from the line of John Musk at RBC. Please go ahead, your line is open.

John Musk

Good afternoon, everyone. Two questions from me. One sort of short term and one longer term. On the markup that you took on the gas storage and infrastructure, I think it's about 500 million, which I think you talked about being related to higher gas prices in Q4. We've obviously seen a significant weakness in gas prices in the past few weeks, maybe even a month or so. Is there a risk that we see some reversal of that, given where gas prices have moved? And then secondly, partly linked. But the longer term question is around the cannibalisation effect from renewables over the longer term. A number of market consultants are putting out longer-term power price forecasts, which can come with some very low power prices related to an increased buildout of renewables. Do you think that there is a self-correcting mechanism in some of these growth ambitions in that if we do start to see much, much lower power prices in future, there will be a moderation of the growth and how do you balance that dynamic?
Marianne Wiinholt

I’ll start with your gas question. If you look at this gas price impact for the full year, we have seen these very low gas prices throughout 2019 and for the full year as we have said we had a negative impact. If you look at Q4 in isolation, we had this very, very big positive impact due to the prices went up in the winter quarter, Q4, but if you look at how the forward curves look, in a way we don’t expect, at least if the forward curve materialises, we will not see a negative impact from gas storages in 2020. But it’s very important to emphasise that all of this is fully hedged, we hedged the gas margin. So it is just the timing, in fact impact these effects, so don’t forget that.

Henrik Poulsen

On the question of long-term power price development, again John, it is of course a complex question as you know. No doubt when you look at the buildout of renewables and potentially even an accelerating buildout of renewables, that will long term impact pricing. On the other hand, you will see very significant retirement of coal capacity and in some countries also nuclear capacity, and that is to a wide extent going to offset some of this impact in terms of balancing out capacity and supply in the market. At the same time, you will, in our estimates see quite a significant growth in electricity in OECD markets over the next ten to twenty years, which is unusual because for many, many years you’ve seen essentially no growth in electricity demand, but the only way to decarbonise modern societies will be to essentially go through a massive green electrification off society, where you electrify heat supplies, you electrify industry, you electrify transportation and that will drive significant increases in demand for green electricity, for instance coming from electrification of vehicles both for private transportation and for heavy transportation.

When you balance out all of those different impacts, it becomes a complex question what the future price would be. We monitor and model this out on an ongoing basis; we feel we have a pretty prudent picture of this and for many, many, many years to come you will continue to see gas as the ultimate transition fuel and also thereby as a price setter in many hours of the day in most markets around the world, and this will continue to be something that supports power pricing for the longer term. So we are not concerned that we are working our way towards a huge self-correction mechanism. On the contrary, we’re actually quite convinced that this is going to be a fairly healthy long-term development when we look a couple of decades into the future.

John Musk

Great, thank you.

Operator

Thank you. And I’ll now hand back to our speakers for the closing comments.

Henrik Poulsen

Thank you all very much for joining. Appreciate all of the great questions and as always, should you have more questions please don’t hesitate, our IR team will be here to answer them. And looking forward to seeing hopefully many of you on the roadshow in the coming days. Thank you for joining. Have a great day.