Ørsted Q3 2022 Earnings Call
Transcription

3 November 2022

PRESENTATION

Operator

Welcome to the Ørsted Q3 2022 earnings call. For the first half of the call all participants will be in listen only mode and afterwards they'll be a question and answer session. Just to remind you this conference is being recorded. Today speakers are CEO, Mads Nipper, and CFO, Daniel Lerup. Speakers, please begin.

Mads Nipper

Thank you very much and good afternoon and good morning everyone. We continue to find the world and not least Europe in a highly unusual and volatile period with an ongoing war, political sanctions and instability, extremely high inflation, a threatening recession and steeply increasing interest rates. The European energy crisis continues to significantly impact households, companies, and countries, and despite gas and power prices coming down from the peaks at the end of August they do remain high and volatile compared to any period before 2022.

On the regulatory side uncertainty remains both in the EU and UK as regulators work on how to structure and implement energy price caps to protect businesses and consumers against soaring energy bills. We continue to support the initiatives needed to mitigate the societal effects of the high power prices but at the same time these initiatives impose a regulatory risk for our industry if implemented without consideration for the forward sold volumes of the individual power generators.

We at Ørsted also continue the close and constructive dialogue with the relevant governments and authorities around these important initiatives and remain confident that good solutions will be found.

It is key that governments around the world address and help reduce the industry risks facing the renewables sector that contracted power prices reflect the realities of our current inflationary environment, and that we see an increased focus on simplified and streamlined permitting procedures. Otherwise the necessary investments in renewable energy are at risk of slowing down and cause a devastating loss of momentum for the green transformation.

On our financials I'm pleased to see that our asset portfolio continues to demonstrate the benefits of diversification. Driven by higher earnings in bioenergy and other, we increase our full year EBITDA guidance with 1 billion Danish krone to an expected 21 to 23 billion which is 2 billion increase compared to our original guidance for the year. Across the markets where we operate we continue to see that the very high power prices have a substantial impact on our financial performance and implications for our earnings mix as we have different merchant exposure across our business units.

As you are aware we have almost hedged our entire near term merchant exposure within our offshore business while we in onshore and bioenergy have more merchant exposure. And when looking at a Group level our hedge percentage for the remainder of 2022 sits at 75%. This balance of our merchant exposure has resulted in a different earnings composition than we had expected at the start of the year but we are obviously very satisfied with the fact that we have been able to outperform our expectations despite the challenging market conditions.

In addition to delivering on our short-term earnings guidance the long-term earnings growth from our renewable investments remains a key focus for us. We continue to be highly confident that our current investments into offshore and onshore renewables will support significant earnings growth in the coming years and as guided we expect an average annual increase in EBITDA of around 12% from our offshore and onshore operating assets in the period from 2020 to 2027.

So, while our diversified portfolio and strong operational performance has proven very successful in safeguarding and even providing an upside to our earnings in the short term our ambitious investment programme, together with our long-term inflation index contracts, will support significant long-term earnings growth.

Like many other companies we are facing and dealing with many of the unpredictable and often urgent implications of the financial, geopolitical, and energy-related volatility and we will continue to do so to successfully operate our business and deliver results. But we will also remain strongly committed to demonstrating the necessary leadership to shape the healthy long term financial, environmental, and social development of Ørsted and our entire industry.

We continue to see an attractive and growing pipeline of opportunities within the renewable space and with an industry-leading pipeline we can continue to be highly selective. Despite the current challenges in our industry we remain convinced that we can continue to invest in value-creating projects and deliver on our vision of a world that runs entirely on green energy.

With that said, I'll now take you through the strategic highlights for the third quarter on slide four. On the very last day of August we commissioned the 1.3 GW Hornsea 2 offshore wind farm. I'm very proud of our entire project team who helped install the world's largest offshore wind farm under very challenging conditions with COVID-19 impacting a large part of the installation phase. Having that in mind a two-month commission delay is very well contained, and following the commissioning we completed the farm-down to AXA and Crédit Agricole Assurance. The transaction is one of the largest ever within renewable energy at a valuation that underpins the attractiveness of our offshore wind assets.

Together with Copenhagen Infrastructure Partners we have joined forces in a new partnership to develop up to 5.2 GWs of offshore wind in Denmark across four projects under the open-door scheme. The partnership encompasses the development, construction, and operation of the offshore wind farms Vikinge Banke, Bornholm Bassin Syd, Bornholm Bassin Øst and Jyske Banke Nord, as well as the related transmission assets. The larger offshore wind resources in the projects have the potential to greatly accelerate the green transformation, create value in the offshore wind industry, and create a Danish business and export stronghold within Power-to-X before 2030. I'm very excited that Ørsted now has a partnership in which two major companies have the opportunity to gather skills and knowledge to develop offshore wind resources which can become a key enabler for the development of large-scale Power-to-X in Denmark and Europe.

At the end of October, we announced a five-year global partnership together with the World Wildlife Foundation – WWF - the world leader in nature conservation to drive a fundamental change in the approach to integrating action on climate and biodiversity by advancing offshore wind that strives to achieve a net positive biodiversity impact. The planned expansion of offshore wind risks having a negative impact on biodiversity if done in the wrong way. However if done right, it can support and enhance ocean biodiversity and create a net positive biodiversity impact, and therefore this type of partnership is so important as it can secure a sustainable buildout of the industry.

Together we will identify, develop, and advocate for offshore wind deployment initiatives and approaches that are not only in balance with nature but also enhance biodiversity.

During October, we closed a farm-down transaction with Energy Capital Partners who will acquire a 50% ownership stake in a portfolio consisting of three onshore wind farms and one solar farm in the US, and in a few minutes I'll take you through the transaction.

Underlining our European onshore expansion we completed the acquisition of the onshore renewable energy company Ostwind. The acquisition expands our European onshore portfolio into Germany and France with more than 1.5 GWs of development pipeline projects. At the beginning of September we successfully issued green senior bonds for almost 15 billion DKK to finance our 2030 ambition. Our previous green bond issuance took place in June earlier this year and market conditions have changed significantly since then, but nonetheless the book was three times oversubscribed which underlines the continued support to Ørsted and the buildout of renewables.

In mid-October, we announced a new organisational structure that is intended to position us well to capture future profitable growth, but before describing the reorganisation on the next slide I would like to highlight two extraordinary events over the past months that we are facing as a consequence of the current energy crisis.

Firstly the Danish authorities have ordered three of our oil and coal-fired power stations to be in operation to ensure the security of the electricity supply in Denmark. The plants in scope are unit 3 at Esbjerg Power Station, unit 4 at Studstrup Power Station, and unit 21 at Kyndby Peak Load Plant. The latter two units have been decommissioned and preserved and Esbjerg Power Station was scheduled to be decommissioned on 31st of March next year. We will comply with the Danish authorities' order and we will now begin preparing and maintaining the units as well as securing the staffing necessary to operate them.

We still believe that we as a society must phase out the use of gas, oil and coal as soon as possible, but we are in the middle of a European energy crisis and we will of course contribute to ensuring the electricity supply to the best of our ability. As the order requires us to operate the units until June 30th of 2024 we remain committed to our goal of becoming carbon neutral by 2025.

Secondly we have entered into a short term agreement with Equinor to offtake up to eight TWh of Norwegian gas to meet the demand from our Danish and Swedish business to business customers. The volumes will substitute the gas we currently source at European markets in the period when the Tyra is not supplying gas to Denmark. The agreement covers the period from January 1st 2023 to April 1st 2024.

Let's now turn to slide five and our recent reorganisation. As we see a more complex market environment with increasingly diversified local requirements, new needs and demands from customers, and a shift towards integrated energy systems, and not least continued competition, we want to reflect this in how we are organised to make sure we are well positioned to drive growth under these circumstances. Therefore we decided to further regionalise our commercial activities into three areas: Americas, Europe, and Asia Pacific. With this new structure we are moving even closer to our markets and our customers by integrating our offshore and onshore renewables organisations, while at the same time leveraging the synergies of a global organisation and ensuring simple and faster decision-making processes.

As part of that reorganisation our Chief Commercial Officer and Deputy CEO, Martin Neubert, decided to step down and leave Ørsted after almost 15 years with the company, and I want to take this opportunity to thank Martin for his strong contribution and commitment to Ørsted during his time with the company. He has played an important role in building the offshore business within Ørsted, leading it to where it is today as a global number one and incubating Power-to-X as a new growth business for Ørsted.

At the same time I'm immensely delighted that this change also means that we can promote several of Martin's direct reports into the new Group Executive Team and thereby leveraging on their deep company and industry specific knowledge. In addition to the existing members the three regional CEOs will be represented in the Group Executive Team along with the heads of Power-to-X, Legal and Global Stakeholder Relations. Despite numerous new faces in our Group Executive Team it will be an experienced and tenured management group with an average industry experience of 7.5 years whom on average have been with Ørsted for six years. I'm looking very much forward to working with this new setup both when it comes to the Group Executive Team and just as much across the entire organisation

Moving to slide six and our first ever onshore farm down. In the funding plan presented at our Capital Markets Day back in June 2021 we assumed 50% ownership of our offshore wind farms. At the same time we said that we would opportunistically pursue farm-downs in onshore as a way of recycling capital to support our growth ambition towards 2030. The transaction is not only Ørsted's farm-down in onshore assets but also the first time we farm down multiple assets in a single transaction.

With the closing of the transaction with the Energy Capital Partners we've now divested a 50% ownership stake in a portfolio with a total capacity of 862 megawatts, securing total proceeds of 410 million US dollars net of the tax equity portion. With the attractive valuation we will retain around 100% of the net present value through the divestment even in a high interest rate environment. The project portfolio consists of the onshore wind farms Lincoln Land Wind, Plum Creek Wind and Willow Creek Wind, as well as the solar farm Muscle Shoals, which are geographically spread across four US states. All the projects are operational and have power purchase agreements in place for all or parts of the production capacity. The interest we have seen in this portfolio underlines the quality of our assets and our ability to raise capital and I consider this transaction another key milestone in our onshore journey, as well as a testament to the value our projects create.

Turning to slide seven where I will give an update on our construction projects and pipeline, starting with the projects under construction. With Hornsea 2 commissioned at the end of August we are now fully focused on completing the Taiwanese Greater Changhua 1 & 2a where we continue to progress all areas of the construction. As of today we have installed 71 of the 111 turbines and expect to commission the project in 2023. It is worth mentioning that the subsidy for our Taiwanese projects is structured as a feed-in tariff and that we receive the tariff per turbine commissioned and therefore we do not risk being over hedged.

Our 130 megawatt South Fork offshore wind farm in the US is well on track to meet commissioning in 2023 as planned. Our partner Eversource is progressing the onshore construction work including the substation where the project will connect while we commenced the offshore construction work last month. And finally the early construction work on our two German wind farms Borkum Riffgrund 3 and Gode Wind 3 are both progressing according to plan.

Ørsted

Turning to our onshore renewable projects under construction, where we are currently constructing around 1 GW. In Europe we are currently constructing three onshore wind projects in Ireland, Northern Ireland, and in France with a total capacity of 52 megawatts and all three projects are progressing as planned. In Kansas, US, our 201 megawatt sunflower wind project has entered the construction phase. The project is progressing according to plan and we expect commissioning during the second half of 2023. We are currently constructing Old 300 and the solar phase of the Helena Energy Centre. Both projects have been subject to delays due to the various issues around the solar module supply chain and related legislation. However we have installed more than 80% of the project capacity of Old 300 and this part is fully operational and delivering the full committed power to its power purchase agreement. The remaining modules are expected to be delivered during 2023 and we expect full commercial operation before the end of 2023. Likewise for the Helena Energy Centre we are planning for full commercial operation also before the end of 2023.

For our awarded portfolio we are progressing our US development projects. Since our update in Q2, the US District Court in Massachusetts has ruled that Ocean Wind 1 to its progressed status is exempt from the dispute between Siemens Gamesa and General Electric. We are pleased with the ruling as it allows us to take an important step forward in advancing Ocean Wind 1 on schedule. At our Sunrise Wind and Revolution Wind projects we continue to develop the two projects together with our JB partner Eversource. With almost 30 GWs of firm capacity half of it already installed and the other half either under construction or awarded we are well on track to meet our ambition of 50 GWs of installed capacity by 2030.

Let's move on to slide eight and a brief update on offshore wind outlook. As you may be aware we chose not to participate in the third auction round in Taiwan. The trilemma of low prices, inflationary cost pressure, and challenging framework conditions made it unfeasible for us to develop a value creating project despite fantastic work by many of our colleagues. If every developer continues to build products that are not financially viable investments in the green transformation will eventually stop, and that is a much bigger challenge than us not getting a project we would have liked to build. I trust that our constructive dialogue with the Taiwanese government will continue and that we will see good investment opportunities in Taiwan in the future and hence be able to support the country in reaching its Net Zero ambition.

In the Netherlands we are still awaiting the outcome of the 1.5 GW Holland Coast West tender where we've submitted a bit before the summer.

Since the beginning of the year we have seen increased political support for the buildout of renewables globally exemplified by the target of 30 GWs of offshore capacity in the US by 2030, 65 GWs of offshore capacity in the North Sea by 2030, as well as a 20 GWs target for offshore wind in the Baltic Sea by 2030. Ambitions to truly make a dent towards a world that runs entirely on green power are being implemented in all parts of the world. And to achieve all the renewables ambitions we need to accelerate the buildout with focus on faster and streamlined permitting processes which today continue to represent the major bottleneck within our industry. Not only do we need more visibility when it comes to the timing of auctions and tenders but also an increased focus on societal value provided by renewables to secure a sustainable buildout of the industry. Future auction frameworks should not be based on price alone but continuously include factors like efficient energy system integration, biodiversity, and the restoration of nature to the benefit of local communities.

This is not an easy feat, and it will require a whole new approach to offshore wind and power through extra development and delivery. And as the world's largest and most experienced offshore wind developer we are ready and willing to advise, engage, and to invest.

And with this let me hand over the finances to you, Daniel.

Daniel Lerup

Thank you, Mads, and good afternoon everyone. Let me start with slide nine and the EBITDA for the third quarter of 2022. For the group we realised a total EBITDA of 12.3 billion DKK including new partnerships. New partnerships related to the 50% farm down of Hornsea 2 provided a gain of 9.3 billion DKK. Excluding new partnerships our EBITDA was in line with Q3 last year amounting to 3 billion DKK. However, this number includes a 1.2 billion negative effect from IFRS 9 related ineffective hedges which will improve EBITDA in future periods. When excluding these temporary IFRS 9 adjustments we had a group EBITDA of 4.2 billion which was 40% ahead of last year.

In offshore, wind speeds were slightly higher than Q3 2021 but significantly below the normal level for the third quarter. This led to a positive impact of around 0.2 billion DKK compared to last year while lower than expected wind speeds led to a negative impact of 0.8 billion DKK from volume-related over-hedging. The negative impact was related to the hedging of our expected offshore production which did not materialise mainly due to lower than expected wind speeds. As a result of lower than expected production we had to buy back the over-hedged volumes at significantly higher market prices leading to a negative impact on our accounts.

In addition we have, as I just described, seen a negative impact of 1.2 billion from IFRS 9 related to ineffective hedges. It is important to emphasise that these IFRS 9 related adjustments have no cash flow effects and relate to hedges that are not effective from an accounting perspective under IFRS 9. On a portfolio level the overall value from trading related to the execution of our hedges remains positive.

To adapt to the unprecedented energy market conditions with extremely volatile and a significant increase in power prices, and to better reflect our current business compositions, we are in the process of revisiting our hedging framework. Going forward we will reduce the hedging levels and shorten the horizon to minimise the risk of unintended adverse hedging impacts in the future. Our hedging framework has historically served as well as it has provided us stability and visibility of earnings. However, we have seen material impacts to our financials when we have not generated power at the levels we had forecasted when we hedged the production. Implementing this framework will take time and despite not having entered into new power hedges since late 2021 we remain close to fully hedged in offshore for 2023.

If prices continue at a high level we expect to continue to see offsetting effects in the portfolio and thus a low risk to our overall financial performance. We will communicate the final details of our updated hedging framework once it is finalised. For the remaining part of our offshore sites earnings increased 0.5 billion DKK driven by ramp-up generation at Hornsea 2, higher achieved power prices on the one-sided German CFDs, as well as value creating market trading activities.

Within our existing partnerships we increased earnings of 0.4 billion DKK compared to last year. The increase mainly came from the construction work for our partners at the Greater Changhua 1 project.

Turning to the onshore part where earnings more than doubled and amounted to 867 million DKK. This significant increase was driven by the generation from new assets in operation as well as higher power prices in the US and Europe. In the US we have benefited from the higher power prices during the ramp-up phase of our assets under construction where PPAs did not start until commissioning. Furthermore, some of our more recent PPAs have upside sharing structures that allow for additional revenue capture in periods of high prices.

In bioenergy and other, earnings increased by 53% driven by significantly higher earnings from our combined heat and power plants. Earnings from our combined heat and power plants more than tripled due to the higher power prices and condensing power generation. The increase was partly offset by lower earnings from our gas and market infrastructure activities primarily due to last year's positive effect from the renegotiation of gas purchase contracts.

Let's continue to slide ten covering our net profit, ROCE, and equity. Net profit for the quarter totalled 9.4 billion DKK including the gain from the 50% farm-down of Hornsea 2. Excluding the farm-down gain net profit was roughly zero which was below last year's net profit due to higher depreciation from more assets in operation. Our return on capital employed came in at 24% which was an increase compared to last year driven by a higher EBIT over the 12-month period. Our equity at the end of September was 54 billion DKK compared to 79 billion DKK one year ago. The reduction was driven by unrealised losses on the hedge reserve for power hedges due to the significantly increasing prices. At the end of September 2022 the post-tax hedging and currency translation reserve amounted to 66 billion. The reserve will be matched by higher future revenue from the underlying assets when the contracts fall into delivery. Around 58% of this hedge reserve will have materialised before end of December 2023, and thereby our equity will gradually increase again.

Let's turn to slide 11 and our cash flow, net debt, and credit metric. Our net debt amounted to 45.7 billion DKK, an increase of 4.3 billion DKK since the end of Q2. Our cash flow from operating activities is significantly impacted by a net cash outflow from temporary collateral postings amounting to 18.4 billion DKK. By the end of September we had a total of 30.6 billion DKK posted in collateral payments which are affecting our net debt but similarly to the hedge reserve I just described these are temporary effects that will unwind over time.

During the quarter our gross investments totalled 14.4 billion DKK, primarily driven by our investments into the construction of offshore and onshore projects, as well as the acquisition of Ostwind and Ford Ridge. We received 26.5 billion DKK related to the farm down of Hornsea 2 and saw a negative effect of around 1 billion DKK from exchange rate adjustments due to decreased pound sterling. Our key credit metric, FFO to adjusted net debt, stood at 35.3% for the 12-month period ending in September 2022. The level was below last year driven by higher net interest bearing debt partly offset by higher funds from operations.

To align with the methodology used by the credit rating agencies we have updated our definition of the FFO to adjusted net debt. We now exclude variation margin payments in our FFO definition and have excluded other interest bearing debt and other interest bearing receivables in the adjusted net interest bearing debt. To ensure comparability across periods we have restated the credit metrics for 2022 and 2021 accordingly. If were to calculate our credit metric in accordance with our previous method the metric would stand at 6% for 2022 and 42% for 2021.

Let's turn to slide 12 where I will go through our current liquidity position. During the quarter we continued to see an increase in the collateral we must post on the exchanges mainly due to the increase in power prices. By the end of September, we had posted a total of 30.6 billion in collateral.

To ensure sufficient liquidity to cope with potential further collateral payments over the winter, and to continue our investments into the green transformation, we have taken several initiatives to improve our liquidity reserve. In September we issued green bonds denominated in sterling and euro with proceeds equivalent to almost 15 billion, established a new two year syndicated RCF of around 15 billion, and increased existing two year committed bilateral credit facilities with an aggregated amount of 9 billion. In addition we received total proceeds of 26.5 billion from the transaction related to the 50% farm-down of Hornsea. As of September 30th 2022, our liquidity reserve stood strong at 88 billion.

We will consider reducing our bilateral facilities towards more normal levels over the coming quarters in light of stabilising energy prices and as maturing energy hedges will gradually reduce our collateral exposure. We constantly monitor development in energy markets and we will continue to maintain a healthy liquidity reserve including having the ability to access additional liquidity on short notice should we once again see a significant upward pressure in energy prices.

Despite the very volatile markets I find confidence in our strong balance sheets and liquidity position. Our financial policies are unchanged and we are committed to our ambition to increase the dividend paid by a high single digit rate compared to the previous year's dividends covering the period through 2025.

Turning to slide 13, and an overview of our debt portfolio. As mentioned we have secured additional financing to strengthen our short term liquidity needs and funding for our continued buildout of renewables. We currently hold a debt portfolio where our bonds roughly make up 70% of our debt financing and the remaining part is a mixture between bank loans and hybrid securities.

On the debt side I would like to underline that we continue to hold a stable debt position as more than 95% of our bank and bond portfolio are secured with fixed interest rates. Given the large overweight of fixed interest rates we continue to have relatively low funding costs in the high interest rate environment. As such our current debt portfolio has limited exposure to the increasing interest rates and the maturity of our bond portfolio does not require us to refinance current bonds before 2026, although we expect to have financing needs relating to our continued growth ambitions.

Turning to slide 14, and our non-financial ratios. In Q3 2022 our taxonomy eligible share of revenue was 73%, our share of OpEx was 80%, our EBITDA was 92% and the share of gross investments was 99%. The non-eligible part of our revenue primarily relates to our long-term gas legacy activities and non-eligible power sales. Green share of energy came in at 92% compared to our 89% for the same period last year. The development was primarily due to more wind and solar farms in operation as well as higher wind speeds. As we have been ordered by the Danish authorities to continue operations of the Esbjerg power station and resume operation of Studstrup Power Station and Kyndby Peak Load Plant this will have a negative impact on our green share of energy, and our taxonomy eligible KPIs, specifically in 23 and 24. As the order requires us to operate the units until June 2024, we maintain our goal of becoming carbon neutral in 2025.

Turning to safety, we have had a discouraging development as the total recordable injury rate sits at 3.3 for the first nine months of 2022 compared to 3.0 for the first nine months in 21; an increase of 15% compared to the same period last year. The increase was due to more recordable injuries for contractors' employees, partly offset by a minor reduction in recordable injuries for our own employees. We are certainly not satisfied with this adverse development and to improve safety we have implemented several initiatives. These include increased leadership involvement and interventions, safety stand-downs, and targeted safety campaigns on specific issues. To ensure that these initiatives are effective they are sponsored by management and updated on a weekly basis. We will continue our efforts towards reducing the number of work-related injuries and ensure the safety of all our employees and partners.

Finally let's turn to slide 15 and our outlook for 2022. As Mads highlighted in the beginning, we increased our full year 2022 EBITDA guidance by 1 billion DKK to the range of 21 billion DKK to 23 billion DKK. This guidance assumes normal wind speeds in the remainder of the year. We've not included impacts from potential political interventions such as price caps or windfall taxes in our guidance. For our gross investments we lowered the guided range with 5 billion DKK to 38 billion DKK to 42 billion DKK due to timing effects on projects with lower spend in 2022 than originally planned. We remain comfortable with our long-term financial targets.

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

Q&A

Operator

Thank you. If you wish to ask a question please dial 01 on your telephone keypad now to join the queue. Once your name is announced you can ask your question. This call will have to end no later than 15:30 CET, so please respect only one question per participant and then you can go back to the queue for a second question. If you find your question is answered before it's your turn to speak you can dial 02 to cancel.

Our first question comes from the line of Alberto Gandolfi of Goldman Sachs. Please go ahead. Your line is open.

Alberto Gandolfi

Thank you, Operator, and good afternoon. Thanks for taking my question. My first question is on interest rates and returns. Maybe looking at your slide seven, would it be possible for you to tell us what percentage of these projects already have secured funding costs? And can you tell us for those where you have not secured funding costs, given that you already know the top line, do you still envisage an IRR over WACC which is positive. And maybe if you can give us an update of the 100 versus 100 to 300 basis points originally guided.

And is there a threshold below which you may not go ahead with some of these projects? We have seen one of your competitors in the United States in Massachusetts essentially asking for a renegotiation otherwise the economics don't quite work out. So I'm just trying to gauge the profitability of your backlog and any colour you could give would be very helpful. Thank you so much.

Mads Nipper
Thanks a lot, Alberto. Maybe if I start a little bit backwards on the question which is I guess multidimensional and then Daniel can cover the funding. It is a quite broad question because as you know we don't comment on asset specific or project specific returns but they are very different in the sense that some of them will have inflation indexed revenue lines, some of them we are further advanced, and some of them we are we are still relatively early. So it is still a quite broad question but specifically as we talked about a few times, the recent developments have obviously not contributed to the nearer term projects and that is also where we continue to turn every stone that we can including securing more robust top lines for those projects to ensure that they become better. But, I mean, it's hard to say. Yes of course we will only take FIDs on projects that are defensible to do, but currently the project portfolio next year are projects where the current outlook we remain committed to.

Daniel, maybe if you can add on the funding.

Daniel Lerup
Yes definitely. So, as you know Alberto, we are not doing project financing so our approach to funding is on a portfolio level and you have the numbers on our total debt size. So basically it comes down to how far progressed are we on the individual projects that you are referring to on page seven. And here as you know we are pretty far progressed on Greater Changhua as we will COD that next year and we have started up also constructing the German portfolio and are still pretty far progressed and also the rest of the assets under construction.

So it comes very much down to funding of the awarded portfolio and here we are still in our development phase so we have of course spent some money already on these projects but of course the lion share of the CAPEX lies post and FID. So that would be the point in time where we would have to go out and start funding those projects. We have however locked in interest rates exposure for part of the CAPEX on our near-term development pipeline of roughly 60 billion to 70 billion DKK.

Alberto Gandolfi
Thank you.

Operator
Thank you. Our next question comes from the line of Casper Blom at Danske Bank. Please go ahead, your line is open.

Casper Blom
Thank you very much. A question that also sort of involves a little bit about interest rates and around interest rates and WACC and so on but I was a bit surprised to see your farm-down within onshore in the US. I found it very positive that you talk about 100% in PV retention there. Does this mean that we should start seeing more onshore farm-downs? I mean if you can do 100% in PV retention isn't that a favourable and attractive way to go?

And talking about farm-downs last quarter you gave an update on the potential next farm-down in Taiwan saying that there was still good interest and that price levels were more or less intact. Is that still the case? Thank you

Mads Nipper

You are absolutely right. We are very happy about the onshore farm down that we did of the four assets and by the way also the first portfolio farm-down we've ever done that was not at an asset level. So the answer the simple answer to that question is yes this is something we're definitely consider and if we can have that kind of NPV retention which we have no reason to believe we couldn't then this is definitely another key tool in the toolbox of financing growth. I don't think there is any news on the interest in our potential farm-down in Taiwan.

Daniel Lerup

We are slowly starting that starting that that farm-down process and we have actually had our team visiting Taiwan to get sort of the first indications of where investors are and it's positive feedback we are getting there. So, as it looks like right now everything is going according to plan.

Mads Nipper

So, no news compared to what we told at the last call, Casper.

Casper Blom

Okay I suppose no news is good news in this world. Thank you.

Operator

Thank you our next question comes from the line of Vincent Ayral of J.P. Morgan. Please go ahead. Your line is open.

Vincent Ayral

Thank you for taking the question. One regarding again on return as the interest rates are rising, clearly cost for renewable is going up, and we also see that with the like of Vestas and elsewhere as well as on the manufacturers and we understand that the prices are going up 15%-20%. So, cost of financing is going up. The question I would have is your spread to WACC, your investment criteria tell you could you give us some colour on how you are adapting to this change so we can have a better understanding on the evolution of value creation on your pipe. Thank you

Mads Nipper

Thank you very much, Vincent. Our criteria for when we bid in on new projects - so at bids - we retain that. It's still a spread to WACC of 150 to 300 basis points. That is clearly our ambition. So that is unchanged and that is also why we are arguing very strongly that in the current environment there needs to be an understanding that regulators will need to understand that it cannot only be a pressure on lower and lower prices because there are inflationary pressures if cost of capital does go up. So as Daniel described earlier and we see did to the very first question that Alberto asked then obviously where we are fighting hard now is where is on our already awarded but not yet FID projects and that is something where this remains a challenge. But for the ingoing projects which is part of the reason why we chose not to bid in Taiwan is because we are actually taking that into consideration and bidding we are still targeting the 150 to 300 basis points.

Vincent Ayral

Thank you, Mads, but my question was slightly different. I understand the question clearly from Alberto before which is when you've locked your top line and not your financing so you you're having a squeeze potentially. What I'm saying is if you keep a spread of 150 to 300 of the WACC and the WACC is going up the value creation is the ratio between the two. So it's going down. So will you update your investment criteria at some stage? Do you expect the whole industry to increase the spread of the WACC in absolute terms? So in relative terms it remains at the same level of value creation?

Mads Nipper

You mean when we bid for new projects or when we are already awarded projects?

Vincent Ayral

For future projects. So if you got the spread of a WACC of 200 bps of work or let's say four, and your WACC is going to six you should ask for a spread of a WACC or more than 200 bps in order to create the same amount of value.

Daniel Lerup

So, I think when we enter into new auctions we update our WACC and then we make sure that when we bid into a new auction we get the spread of our WACC on the updated WACC. For the portfolio of awarded projects as you say on some of them we have kind of a locked in top line. Some of them have an inflation indexation, but you will of course see that when WACCs go up you are eating into the spread to WACC, and that is why we are of course working hard with the awarded portfolio to ensure that we optimise the value in those projects in order to make sure that we do what we can to maintain the spread to WACC, but it is of course a challenge when you have both CAPEX going up and also the cost of funding.

On the other hand we are also seeing good developments on the regulatory side for example with the IRA which is of course a big positive for our US awarded portfolio. So you have things going in different directions but of course with interest rates going up that is of course something that is hurting our spread to WACC.

Mads Nipper

But to be very clear on anything we are bidding into in the future if the WACC goes up we need to see our IRRs going up corresponding to hit the same spread to WACC. That's the commitment we give.

Vincent Ayral

Okay, thank you very much.

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 simple question which is on your collateral and net debt. So Daniel you mentioned that you have 30 billion locked in collateral right now. If I'm not mistaken in the way you're presenting your ratios the net debt is still - it's not offset by the receivable from collateral and therefore when you deliver power you should basically get back quite a lot of it already next year; I think around 60% from previous discussions. So can you confirm that?

And then secondly if you mark to market today, I mean some of the commodity prices have come down, probably the level of collateral has gone down. Could you just say by how much?

Ørsted

Daniel Lerup

Yes, so that is correct the roughly 30 billion in collateral is a drag on our net debt and if prices stay at where they were when we made the Q3 numbers you would see that roughly 15% of that would run off towards the end of the year and going up to 60% by the end of 2023. We have however seen prices go a little bit down since the end of Q3 so we've probably gotten a little bit more than a handful of billions back in collateral. So we are probably more at around 24 billion or 25 billion DKK in collateral right now and that's of course a number that is changing every day, but it's going down.

Deepa Venkateswaran

Okay cool so that should alleviate some of your funding needs because as you get the collateral back you don't need to go back and raise new debt. Some of this will also help and help with the funding that were discussing just previously.

Daniel Lerup

Yeah, it will and I also view our liquidity reserve right now of roughly 90 billion DKK as being quite conservative but we are of course also going into a winter where it's difficult to predict exactly what's going to happen so I'd rather be on the conservative side, but as we get through the winter and of course also more and more hedges settle, we would expect to bring down that liquidity reserve.

Deepa Venkateswaran

Thank you.

Operator

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

Rob Pulleyn

Thank you for taking one question. Others have been asked. So I'd just like to ask - and it's a bit nitty gritty so apologies for that - but as we look at your revised guidance for 2022 could you help us understand what level of over-hedging losses an IFRS 9 accounting incremental in 4Q you include in the guidance that you've given today? Clearly these are the two dynamics which were not well understood or expected at the start of the year and have weighed on the last couple of quarters. The macro backdrop suggests that those are improving so it would be great to have some clarity as to what's actually baked into guidance. Thank you very much.

Daniel Lerup

Our expectation is that that roughly 0.5 billion will be running off towards the end of the year.

Mads Nipper

And just as a service information Rob I can also say that the wind speeds in October have been slightly above normal and that's sort of a good start to the quarter.

Rob Pulleyn

That definitely helps. Thanks, Mads. Daniel just to follow up; 0.5 billion extra of cost or 0.5 billion less than 4Q? Sorry I didn't quite understand that.

Daniel Lerup

No, that's a run-off of the 1.5 negative IFRS 9 temporary effect that we have in our accounts currently. So, when that kind of runs off that will improve our EBITDA and that 0.5 billion is based on forward curves at the end of September.

Rob Pulleyn

Okay. That's clear. Thank you. I will obey the rule and turn it over.

Operator

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

Peter Bisztyga

Thank you. So I just wanted to follow up on Deepa's question actually on net debt. So I get that you've got 30 billion of collateral potentially flowing back over the next two or three years. Your cash flow statements in the nine months showed something like just under 11 billion negative change in derivatives and another sort of 10 billion roughly negative working capital movement. I was just wondering; that 20 billion in aggregate, is that something we can also expect to reverse in the coming quarters? So, I'm grateful for any clarification there please.

Daniel Lerup

I'm not completely sure just whether you're referring to the development that we are seeing from Q2 to Q3 because that is a little less than 20 billion in increased collateral. And this is something that will come back with the roughly 60% towards 2023.

Peter Bisztyga

Okay, I mean just looking at sort of cash flow statements in your quarterly report you have a change in derivatives in your cash flow from operating activity of sort of 10.8 billion actually in nine months. Does that include the collateral? Is that on top of the collateral? It's not completely clear. Maybe I can take that offline.

Daniel Lerup

The change in derivatives is the variation margin and then we have the initial margin down in the change in other payables.

Peter Bisztyga

Okay. Got it. Thank you, but sorry maybe just on the working capital, I mean obviously there's some big working capital movements in the year so far as well. Is that something that you'd expect to reverse or something that you will carry on building?

Daniel Lerup

So usually we see a large part of the working capital coming from our offshore assets so that is of course something that that will change when we divest the offshore asset and you'll also see in the future that when we hopefully FID Hornsea 3 at some point that that will also be building up.

Peter Bisztyga

Got it. Okay, thank you.

Operator

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

Mark Freshney

Hello. Thank you for taking my question. It's with regards to the UK which in my numbers is about half of your enterprise value. The UK government if you read the press speculation and speak to the energy ministry are proposing things which effectively amount to expropriation particularly of some of the older rock assets, assets you invested in in good faith. Clearly the CFDs are hugely protected by the agreements you have with the government and you've got independent arbitration rights; they're well protected but the rock assets is a huge disappointment. And on that basis I think some investors are surprised that you haven't been firmer on potentially pulling back spend from the UK in relation to Hornsea 3 because not proceeding with FID because existing assets have been, in my view, expropriated would seem to be a perfectly rational response. So why is it that we're not getting firmer language on Hornsea 3?

Mads Nipper

Thanks, Mark, and no doubt that the UK continues to be a hugely important market for us. And I think we're stretching it too far by saying that it's potentially expropriation because one the rock assets - I mean that we've heard no talk that the rock share would go away and then there is speculation whether it would be this price cap or whether it will essentially be a windfall tax. As we already mentioned we are in quite intense dialogues both with base and also with the treasury to ensure that this is done in an intelligent way and if this ends out as being something where we would actually convert the rocket assets into CFD that could actually be something that could be a mutual benefit. That is probably not the most likely outcome in the short-term but we also hear - we don't have anything firm because the market dialogue has not officially happened yet - but it really depends on where such a price would end out because the variation in which we've heard that those levels could be at is very, very big. So, we think it would risk being counterproductive if we "threaten" not to take FID on Hornsea 3 before we have anything firmer on what the attractiveness of a measure would be; whether that is a price cap, whether that is conversion of rock to CFD, or whether that's a windfall tax. But we are in quite intense dialogue as mentioned with both ministries.

Mark Freshney

Thank you very much.

Operator

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

Jenny Ping

Hi, thanks very much. I just wanted to go back to something you said earlier around the US. So, if I understand correctly you're essentially telling us that you will only invest in value creating projects which effectively says that if there is a risk that you won't FID some of the projects given some of your peers in the US have said projects are not viable. Just along the same lines, PSEG have talked about making their final decisions on Ocean Wind 1. Can I just check what is your plan B if they don't proceed with that? And then just going back to the 60 billion to 70 billion that was talked about for the initial question, the first question that was asked. I didn't get what that those numbers related to, which projects - you just said near term projects - which projects effectively you've locked interest rate exposure for? Thank you.

Mads Nipper

Thanks, Jenny. Maybe it's really more the almost the same answer to say that the returns of the US projects including the Ocean Wind 1 is not where we wanted to be but we continue to explore these options and that is also as I think we've already shared previously also having a dialogue around potentially sort of having a maximum share of the IRA benefits being passed back to us. So it is simply too early to say anything and therefore we continue to remain committed to these projects. We are not in a situation where we are saying this is something that we no longer believe in. We still believe there is a path for this to be value creating. I can't go into any detail of the discussions they are confidential of nature and they are case by case on those projects but it is something where we also obviously follow closely and have a dialogue with PSEG and we are in close coordination with them as they advance their thinking both on Ocean Wind 1 but also as I mentioned on the call on Monday on the Skipjack 2 of a potential investment there.

Daniel Lerup

And on the second question it was 16 billion to 17 billion DKK that I mentioned we had locked in through interest rate swaps on the US near term development projects so being the North East portfolio and Ocean Wind 1.

Jenny Ping

Thank you.

Operator

Thank you. Our next question comes from the line of Kristian Johansen at SEB. Please go ahead. Your line is open.

Kristian Johansen

Thank you. So my question is regarding these four Danish open door projects and if you can just elaborate on the milestones you need and approvals and so on to reach FID. And also clarify; you said that you intend to build transmission as well so will you own transmission long-term or will you have to divest it at a later point to the TSO? So, what's the model on transmission? Thanks.

Mads Nipper

Thanks a lot Kristian. This is still obviously very early stage but we are actually hoping for and have good belief that there is a real path to accelerate consent and approval here. And as we said this could be something that actually could be - the first commissioning could be as early as 2027/2028 which would essentially be at the same time or faster as the first centralised or the upcoming centralised tenders in Denmark that have already been awarded. So what is next would essentially be that the climate ministry would need to approve the projects. So they have gone through the hurdle of the DEA and the legal hurdles for that so therefore the projects; so far they are viable but it does take a ministerial approval which we think has very good chances with the nations and in this case the world's biggest and one of the world's biggest offshore developers going together. But that is what it would take to go through and we could see that coming as early as within the next two to three months.

In terms of the transmission assets, the honest answer is, I simply don't know.

Daniel Lerup

And of course it's also too early to say but we expect it to be part of the scope that we would have to build and invest into the transmission asset but concerning ownership in the future I think it's too early to say how we're going to think about that. But of course it's a big portfolio of projects so our thought could have course be that it would make sense not to tie up too much capital in that.

Kristian Johansen

Makes sense. Thank you.

Operator

Thank you. Our next question comes from the line of Louis Boujard of Oddo BHF. Please go ahead. Your line is open.

Louis Boujard

Good afternoon. Thank you very much. Indeed, I have one question regarding the hedging and regarding more particularly the comment that you made during the presentation. I think that you said in the offshore business that you're going to remain almost fully hedged in 2023 and at the same time you said as well that you expect to continue to see an offsetting effect on the portfolio for next year. I hardly see where this comment could come from because if it comes from the wind of course for next year it's a bit too soon to be sure what is going to happen in terms of wind conditions. So shall we consider that it would come from IFRS 9 and the proxy hedge? And if yes, could you quantify maybe what could be the magnitude of this potential offsetting effect that we should expect for next year's earnings in the offshore division? Thank you very much.

Daniel Lerup

So, my point was that when we look at our offshore wind business we are close to fully hedged of the P50 production towards the end of 2023 but if you look at a portfolio level where you also consider onshore and the combined heat and power plants we are of course lower than that 100%; roughly 70% to 80%. But that doesn't change the fact that we have a high hedge in offshore which when you look at that segment specifically, if you have low wind speeds we would have to go out and buy hedges. If we have high wind speeds we would then be selling it into the market at the merchant prices at that point in time.

Mads Nipper

So to try and make it even potentially even clearer Louis what Daniel and we are saying is that throughout next year or until towards the end of 2023 there's still a risk of an earnings mix like we've seen this year where we have higher earnings on onshore and on bioenergy and relatively lower on offshore. If it happens that production is lower and prices are elevated. So that is why the overall risk profile on our earnings last year we see as very low but the risk next year of a mix where we will still have one more year where our earnings are below what we would call the natural level especially for offshore is still there, depending on especially the wind because the wind is really the risk to that. But beyond 2023 that is also why we mentioned in the presentation that that is when those hedge levels, due to the fact that we are not rolling our hedges now and we will implement a new hedging framework, then we will return to not only a high and stable earnings stable for the Group but also much more predictable and high for our offshore specifically. So, that's what we are saying. Overall at group level low risk but earnings mix may still at risk that that could change next year but come 24 and beyond that risk will be substantially lower if that makes sense.

Louis Boujard

Okay. That's much more clear now. Thank you very much.

Operator

Thank you. Our next question comes from the line of Lars Heindorff of Nordea. Please go ahead. Your line is open.

Lars Heindorff

Thank you. Also a question regarding the hedging. Daniel I think you said in the beginning that you're going to change the hedging framework which means less and shorter periods of hedging going forward. And just conceptually I want to ask how that will fit into your ability to – you can't say guarantee - but your aim of reaching the 150 to 300 basis point spread between IRR and WACC going forward. Would that increase the risk of future projects if you can't lock them in?

Daniel Lerup

No, so again these are very long-term assets with many, many years and decades of earning so the hedging staircase is not the big definer of the spreads and so I wouldn't expect that and we would also in cases where we have merchant exposure look into still corporate PPAs, as produced PPAs where you don't sit with the volume risk as you do on financial hedges.

Mads Nipper

So, our overall approach to still having a very high share of contracted or regulated revenue remains intact. So in any normal year we are still at around the 90% and we will still go like we did with Hornsea 3 for CFD type contracts and where we have merchant volume if we can strike attractive PPAs, we will continue to do so. So this is something at a group level and also for investments, we really see this approach as a hedging staircase not in any way materially impacting the predictability of our earnings.

Lars Heindorff

Thank you.

Operator

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

Deepa Venkateswaran

Thank you for taking my second question. So I just wanted to step back from the here and now and just wanted to discuss the partnership that we announced with CIP for the five GWs of projects. Could you maybe explain how this framework might work and what is it that you would need in order to kind of take FID on this project? Is it possible green hydrogen or what is needed? And in general do you also see that would be relevant in countries beyond Denmark where you're not competing for the seabed? and so on?

Mads Nipper

The line was a little bit unclear, Deepa, but I think what we need obviously - to the question that came before what we ensure we need is to have the ministerial approval that these projects can be built and then what we are looking at with a mix of what can be fed into the grid and also because there are sizable Power-to-X projects today in Denmark that are being planned. Some of them – we were involved in some of them above are by CIP and some of them are by third parties and therefore we would of course work with the potential offtake from those major projects including what would that mean to the predictability of earnings and so on. So, that would all go into the calculations of the business case that would need to be quite solid before an FID. So, it is to talk to our TSO as to how much and what should go into the grid; are there any PPAs that can be meaningfully struck and then our highest potential here what are the agreements that can be made to feed the Power-to-X that are already being planned or could be planned knowing that these green power would get to shore.

Deepa Venkateswaran

Okay and do you see something similar in other countries because it might be an easier or cheaper way to get seabed leases?

Mads Nipper

One of the purposes apart from quite honestly ensuring that the Danish government feels very comfortable with our two companies going together to actually go ahead with these open-door projects. Also for example the German government have already said that they will have a significant chunk of open-door projects and if we can see - if the other governments especially in Europe can see that the Danish government backed by our two companies moves ahead with speed, then this is something we hope will open significantly more doors so to speak for these open-door projects, not only in Denmark but especially in Germany but potentially in other countries as well. So, we see it as more than just a Danish undertaking but as something that could be a sort of a foot in the door for accelerating open door projects in a Europe that unfortunately is still too slow consenting and planning the centralised tenders.

Deepa Venkateswaran

Okay, thank you.

Operator

Thank you. Our next question comes the line David Paz at Wolfe Research. Please go ahead. Your line is open.

David Paz

Hi, good morning. Just a two-part question here, both on the US. Where are your returns ballpark for the North East and Ocean Wind projects? Would you categorise them as the low end of the 150 to 300 basis point spread because I know you've talked about them being pressured but just to give us a sense of where you are. And then the second part is given that we have the IRA inflation reduction act what is that potential uplift you see both in offshore US and then an onshore US? Thank you.

Mads Nipper

Thanks, David. We can't comment on the return levels for specific projects but as we said before, none of the two projects you mentioned are at this stage where we want them to be which is why we continue to work on those returns including top line measures. But that is as close as we can get to it. As we said last time, after Q2 we said that for offshore projects, we were looking at, depending on what project it is, sort of a meaningful double digit number of bps and in business case improvement. But there are so many moving parts still including also obviously the interest rates and therefore the WACCs that this is something that we are working on very, very tightly to ensure that we do what we can to improve. But unfortunately I can't get any closer.

But what we do say - to just maybe add a quick comment on onshore that through the PTC improvement and extension this is something where we also see significant improvements of onshore. And just commenting on onshore which is one of the reasons why that remains attractive is that we both have a clear sight of improvements due to the IRA, but we also see both in Europe and the US that due to the shorter term nature of onshore we see the PPAs continue to move up at exactly the same sort of curve as the inflation we continue to see in the different - for example from the turbines. So, the returns are intact if not improved in onshore in the latest time which is why those investments stay very attractive.

David Paz

Got it. Great. Okay, thank you.

Operator

Thank you. Our next question comes from the line of Vincent Ayral of J.P. Morgan. Please go ahead. Your line is open.

Vincent Ayral

Yes, a very quick follow-up regarding the hedging. Usually utilities, they tend to start the year and they are 80% hedged. Here you're telling us that for offshore wind you are already fully hedged for your P50 for 2023 and you've known since the beginning of the year that spot prices were extraordinary and you were buying back at a great expense the delay on Hornsea 2. So what is the reason where we're landing at this point where basically we still are over hedged on offshore wind specifically for next year? I'm just struggling to understand what led us here. Any colour on that would be welcome. Thank you.

Daniel Lerup

Yeah, and I understand that question of course and the thinking behind this has been that we have worked with a five year hedging staircase for more than a decade where in the front two years we've had a hedge percent which is very close to 100%. And when we started seeing the volatility at in the power prices at the end of 2021 we stopped rolling that hedging staircase because we knew that we should bring down our hedge level in a volatile market so that we would do what we could in order to avoid having to buy back very expensive hedges.

So, our question to ourselves at that point in time with power prices started to increase. We of course didn't know that power prices would go up that significantly. So we of course had this discussion internally whether we should bring down the hedge level in the front two years. But here, had power prices not gone up that significantly we would probably have brought it further down. That's one; but we've kind of been caught in this very steep increase in power prices. And two this is for the offshore part of our business. So we also have onshore and we also have the combined heat and power plants where we have a longer power exposure also in the short years.

And when you take the totality of the entire portfolio, we are more sitting around - of the remaining 10% of merchant exposure we have on the company we only have a hedge percent of roughly 70% to 80%.

Vincent Ayral

All right. Thank you. At least we understand how we ended up there. What is the hedge level going forward you want to have? I think 100% or 90% of the P50 is probably too high. So, wind volumes being materially below normal last year. So, what is your target hedging going forward, even if it takes a few years to get there?

Daniel Lerup

So, as I said earlier we will be coming back with more specifics on that one, but one thing that is very clear in this very volatile power price market it will both be a lower hedge percentage and also a shorter period that we will be hedging at least for the offshore part of our business. But remember all of this we're talking about here is only on the remaining 10% of our earnings. The first 90% of our earnings is at a long term regulated or contracted as produced basis. So, it's only the last 10% that we are talking about here.

Vincent Ayral

Thank you.

Operator

Thank you. The next question comes from Mark Freshney at Credit Suisse. Please go ahead. Your line is open.

Mark Freshney

Thanks for taking my question. Just regarding the coal burn, the remaining coal burn within the CHP portfolio. Clearly it's undesirable from an ESG perspective. I think you had aimed to stop burning coal I think this year or the end of Q1. Can you remind us where we are on that coal burn and when you might expect to be able to say that you've burned your last tonne of coal and it's now only biomass and wind and Power-to-X?

Mads Nipper

Yes, happy to, Mark. You are absolutely right. I mean the two boilers that we talked about in Kyndby and Studstrup, they have already been retired so they were out. Now, they are being ordered back into service and you are absolutely right; Esbjerg which was the last part of a coal-fired power plant was planned to be decommissioned by end of Q1 next year, at which time we would be completely out of burning coal. We still retain a very, very small share of gas which essentially is for starting up the biomass fired power plants and for the emergency sort of systems balancing plant that we have in Kyndby.

With the new order we've gotten from the Danish state that is until summer of 24 and we will expectedly - everybody we talked to in Europe expects that next winter will be the last potential emergency winter at which time we will have both in terms of both LNG. biomass and other sources. We should be out of that energy emergency. So we do not expect and quite honestly we will fight hard to make any extension of that. So, I think we briefly mentioned it in the presentation; we stay firmly committed to our 99% carbon neutral Scope 1 and Scope 2, including not burning any coal by 2025.

Mark Freshney

Thank you.

Operator

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

Jenny Ping

Hi. Thanks again. Just following on from Mark's question just on the coal exposure. Have you had any discussions with the people who run the clean energy indices as to how they're going to be treating the coal exposure now that you're keeping it open. Is there a risk of exclusion or have you already been exempt? Any clarity around that would be great. Thanks

Mads Nipper

I don't think we have had any sort of exemption to that but I am relatively sure given the temporary nature of that where we can demonstrate this is order from the Danish state, that this is not something that should have a material impact, but let us ensure we follow specifically up on that and make that available through our IR Team so that we can say that with greater firmness.

Jenny Ping

Thank you.

Operator

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

Peter Bisztyga

Hi. A quick follow-up on your recent US onshore farm-down. The dollars per kilowatt proceeds is less than a 1,000 which sounds pretty much in line with the CapEx you might have spent on those projects, and very little sort of cash gain in there. Is that correct and if so, why so low? And then if you can just repeat the DKK billion amounts that you have fixed interest rates for your US pipeline? I didn't quite hear it.

Daniel Lerup

Yes, so the interest rate swaps on the US pipeline is a little bit more than two billion USD. So, around 16 billion to 17 billion DKK. So 2 billion USD. And on the onshore part I think what's important to be mindful of is that we are keeping - this is excluding the tax equity investment made into the projects. So that is being kept, so to say.

Peter Bisztyga

Got it. That's very clear. Thank you.

Operator

Thank you. And we have one further question, that's from the line of line of Lars Heindoff at Nordea. Please go ahead. Your line is open.

Lars Heindoff

Thank you. I have a question regarding your expansion. You mentioned earlier that you're weighing the outcome of the tender in the Netherlands and there's also a few others on its way and there's still a lot of tenders coming up. I think you already won around about 3 GW this year. You've been very specific about the plans that you have and you have sort of – the way that you calculated this that you can grow by the 3 GW on a yearly basis without the need for further equity. So, if you win more than that, or I'll phrase it in another way how many more wins would you be able to cope with without raising equity?

Mads Nipper

Thanks a lot. We actually can calculate it with the winds because in principle they could have very different CapEx spend profiles and so on. So, some of the winds we could get in the coming years could actually be quite late or some of them even post 2030. But what we said is that on average - in order to get to our - and now we're talking offshore specifically - in order to get to our approximately 30 GWs by 2030 we would compare to the launch of our CMD last year. We would need to secure an approximate average of 3 GWs a year in order to be in time to have that constructed by 2030. And yes, you can sort of translate that into saying that that would mean that the fully funded plan of approximately 50 GWs by 2050 was fully funded and still is. So if we see a burn rate significantly beyond that, then you're right; then it would either mean that we would need to prioritise even more to offshore or would need to raise capital. But it is not so that you can say if we for example are lucky and capable of winning a Holland Coast West which we expect the outcome of in the next few weeks then that is an automatic sign that we are going to need additional capital. That is not something you can say.

Lars Heindoff

Thank you.

Operator

Thank you. As there are no further questions at this time I'll hand the floor back to our speakers for the closing comments.

Mads Nipper

Yes, and I would just like to thank Daniel for fighting a sore throat and all of you for great questions. Always great questions and should you have more questions you know that our IR Team is here to answer them. Thank you very much. Stay safe and have a great day.