

Ørsted A/S

Transcript: Conference call

Date & time: 01 November 2018 at 10.00

Welcome to this Ørsted Q3 earnings call. For the first part of this call, all participants will be in a listen only mode and afterwards there will be a question and answer session. Today's speaker is CEO Henrik Poulsen. CFO Marianne Wiinholt is not here today due to a family commitment. Henrik, please begin.

0.00.18

Henrik Poulsen

Good morning everyone and welcome to this Q3 call.

We remain very pleased with the operational and financial performance of the company during the third quarter and we are also very happy about the continued strategic progress that we are making.

We reached an EBITDA of DKK 2.2 billion, which was half a billion up on the third quarter last year. The increase was driven by first and foremost higher earnings from our offshore wind farms in operation, which increased by 31%, as well as higher than expected earnings in our LNG business and our gas portfolio, in the latter case mainly driven by increasing gas prices. The positive effect from the increase in gas prices during the third quarter, we would expect to some extent that this will reverse either later this year or more likely in the beginning of next year.

The solid set of results combined with the strong progress on the construction of Borkum Riffgrund 2, which is expected to result in higher earnings on our construction agreements and a faster ramp-up of generation, have altogether led us to increase our EBITDA guidance for 2018. We now expect that EBITDA excluding new partnership agreements will be in the range of DKK 13-14 billion, an increase of half a billion compared to the previous guidance. Furthermore, we still expect our EBITDA including profit from the Hornsea 1 farm-down to be significantly higher than the 2017 EBITDA level of DKK 22.5 billion.

With an EBITDA for the first nine months of 10.8 billion, we are fairly close to the bottom of the updated guidance interval. This is due to the fact that we have received the majority of the expected earnings from existing partnerships in 2018 within the first nine months of the year. Furthermore, we also expect the project development costs within offshore wind to be somewhat back-loaded. As we have seen in previous quarters, the continued ramp-up of offshore wind capacity and bioconversions and the recent divestment of our 50% stake in a Dutch gas-fired power plant mean that the green share of our heat and power production increased substantially from 60% in the third quarter last year to 71% in the third quarter 2018.

Over the last few months, as you know, we have taken significant steps in developing our US platform through the acquisitions of first Lincoln Clean Energy and most recently Deepwater Wind. We are pleased and very excited about the long-term US growth platform provided by these two acquisitions. I will get back to the Deepwater Wind acquisition on the following slide.

In September, we signed an agreement to farm down 50% of Hornsea 1 to Global Infrastructure Partners and we expect the transaction to close within the coming weeks. As part of the agreement, we will provide long-term operations and maintenance services as well as a route to market for the power generated. This farm-down is one of the largest renewable energy transactions of all time and it includes the largest single project renewable energy financing to date. The valuation once again underpins the attractiveness of our offshore wind assets.

On 25 October, the Danish Appeals Permission Board decided that the Danish Competition Authorities will not be granted permission to try the ruling passed by the High Court of Western Denmark at the Supreme Court level. The High Court of Western Denmark found that Elsam, now Ørsted, had not abused its dominant market position in 2005 and the first half of 2006. This decision is now final, and we are pleased that we can put this court case behind us and move forward. The ruling concerning 2005 and the first half of 2006 does not mean that we will change our provision related to the Elsam case as we are still awaiting the development in the corresponding competition case for the period 2003-2004 as well as the related compensation case. All in all, we do however find the ruling on the first part of the case very positive for the further course of the remaining cases.

If we turn to page 4, let me just quickly recap the key facts on our recent acquisition of Deepwater Wind.

On 8 October, we announced that we have entered into an agreement to acquire 100% of Deepwater Wind at a purchase price of USD 510 million and an enterprise value of USD 700 million, the difference relating to project financing in the Block Island project company. We see this as an investment case with a healthy value creation spread on top of our cost of capital based on the current portfolio of projects.

We are very excited about this acquisition which will combine Deepwater Wind's long-standing expertise in developing and permitting offshore wind projects in the US with Ørsted's unparalleled track record in global offshore wind development, EPC and Operations & Maintenance. Deepwater Wind has built a geographically diverse portfolio of offshore wind projects along the US East Coast with a total potential capacity of more than 3 GW.

The portfolio consists of 30 MW of operational capacity, 810 MW of capacity with long-term revenue contracts in place or under negotiation for build-out in 2022 and 2023. And finally, up to 2.5 GW of attractive development capacity across three awarded lease areas. The acquisition and merger of Deepwater Wind's activities and organisation into Ørsted's US offshore wind business creates the leading North American offshore wind platform. It will have the most comprehensive geographic coverage with presence in 8 states, the largest development capacity with approximately 8 GW and close proximity to a number of attractive load centres on the US East Coast. Finally, it will be the strongest offshore wind capability in the US with around 75 highly skilled employees across all functional disciplines. The combined entity provides a strong platform for the upcoming offshore wind auctions in New Jersey, New York and Massachusetts.

Turning to slide 5, where I will give an update on the key offshore wind construction projects currently in progress.

We have seen very strong progress with the construction of the German Borkum Riffgrund 2 wind farm and expect to have it commissioned within the coming month, which is well ahead of schedule. Borkum Riffgrund 2 will be the third offshore wind farm we have completed in 2018. The 450 MW wind farm will provide more than 450,000 German homes with green power.

At Hornsea 1, we continue to see good progress and we have installed 104 out of the 174 foundations and transition pieces as well as 66 of the array cables. At Borssele 1 and 2 and at our Virginia EPC project, we have signed all of the key supply contracts while we are in the process of signing the remaining key contracts for the Hornsea 2 project.

Turning to slide 6, and an update on the construction projects outside offshore wind.

The build-out of our US onshore wind portfolio is also progressing according to plan. The construction of the 300 MW Tahoka Wind Farm is nearing completion as all 120 turbines have been installed and the project is currently being commissioned. By the end of the year, Lincoln Clean Energy will thus have an operational onshore wind capacity of 813 MW.

In Bioenergy, we are still well under way with the bioconversion of the Asnæs power plant. The conversion is progressing according to plan with expected commissioning by the end of next year. We continue to work through the mechanical challenges at the RENescience plant in the UK and we still expect the plan to be commissioned in the first half of 2019.

At the end of September, 545,000 smart meters installed by Radius and Kamstrup have been taken into use. This is a significant milestone marking that we are now more than halfway through replacing the meters at all our residential customers towards the end of next year.

Let's turn to slides 7 and 8 where I will look at the latest market development and offshore wind opportunities across the various regions.

In Taiwan, we are working on maturing our projects in the Greater Changhua area and we are entering into contracts with local suppliers on an ongoing basis. In October, we selected Siemens Gamesa as exclusive supplier of approximately 112 of their 8 MW turbines for the first 900 MW project. As part of the contractual agreement, Siemens Gamesa will deliver locally produced wind turbine towers and has committed to establishing a local Nacelle assembly facility at Taichung Harbour by 2021. Subject to final investment decision which we expect to take in March 2019, the 900 MW project comprising Changhua 1 and 2A, is expected to be operational by late 2021. This timeline as well as our localisation initiatives is based on our expectation to sign the power purchase agreement with Taipower before the end of this year.

As you know, the Taiwanese government has communicated that a new auction round for the period post 2025 is currently being planned. We have the 600 MW Greater Changhua 3 project which we are in the process of preparing to be able to participate in a potential upcoming auction.

Moving on to the US, in September the New Jersey Board of Public Utilities announced the first offshore wind solicitation in New Jersey with a capacity of 1.1 GW. The bid submission deadline will be in the late stage of December 2018 and an award is expected during summer of 2019. As with the Massachusetts RfP, the evaluation criteria will not be solely financial, but also consider local content and other economic benefits to the state. New Jersey is expected to have subsequent auctions of 1.2 GW of offshore wind in both 2020 and 2022.

In Connecticut, we submitted a bid into the clean energy solicitation in September together with our partner Eversource Energy. The auction caters to all zero-carbon technologies, including nuclear and it is as such uncertain how much capacity will be allocated to offshore wind. We expect to receive the outcome of this auction before the end of the year.

Subject to the closing of the Deepwater Wind acquisition, we will add 200 MW of capacity in Connecticut and 400 MW of capacity in Rhode Island where Deepwater are currently negotiating the long-term revenue contracts. It is still our expectation that New York will have a solicitation during the early part of 2019 and that Massachusetts will have a second solicitation during the course of 2019.

Turning to slide 8 and the market developments in Europe.

In October, the Crown Estate in the UK confirmed that we have satisfied the application criteria for the development of our Race Bank Extension offshore wind farm which expectedly will have a capacity of 573 MW. The project will now be subject to the Habitats Regulation Assessment undertaken by The Crown Estate over the next 6-9 months. Subject to all necessary consents being granted, Race Bank Extension will be available for future auctions under the Contract for Difference scheme in an estimated 3-4 years.

Furthermore, we are moving forward with the initial consenting preparations of our Hornsea 4 project which expectedly will have a capacity of 1.2 GW. Hornsea 4 will expectedly receive consent in 2021 with the aim to then enter an auction round in 2023.

In the Netherlands, we expect that the next tender will take place during the first quarter of next year. The Dutch government has confirmed that the next tender will follow a framework similar to the tender held last year.

If we move on to slide 9, let me go through the Group financials for the third quarter before we turn to the performance of the business units.

In the third quarter 2018, we realised an EBITDA of DKK 2.2 billion, as I said, an increase of half a billion compared to the third quarter last year. This was mainly driven by an increase of 31% in earnings from offshore wind farms in operation which was impacted by the ramp-up of the Walney Extension and Race Bank wind farms in the UK. Both of these new wind farms are currently operating at high availability. Furthermore, we had better than expected earnings in LNG from higher margins and in Markets as a result of higher gas prices. Bioenergy was slightly negatively impacted by the warm weather.

Net profit totalled DKK 400 million, up from DKK 200 million in the third quarter last year. This was driven by higher EBITDA and the divestment of the Dutch gas-fired power plant Enecogen, partly offset by the negative effect from exchange rate adjustments and a lower level of capitalised interest following the completion of the Walney Extension and Race Bank projects.

Free cash flow from continuing operations for the third quarter came in at a negative DKK 4.1 billion, an increase of roughly DKK 200 million on the third quarter last year. The negative free cash flow in the third quarter reflects our high level of investment.

Turning to slide 10 and our net debt and financial ratios.

Our net debt at the end of the third quarter totalled DKK 9 billion up 4.4 billion on the second quarter 2018. Our cash flow from operations totalled a negative of DKK 100 million. Our gross investments amounted to DKK 4.4 billion in the third quarter where the majority was related to our investments in the offshore wind farms Hornsea 1, Borssele 1&2 and Borkum Riffgrund 2.

Divestments amounted to DKK 400 million in the third quarter and related to the divestment of our 50% stake in Enecogen.

Our key rating metric FFO/Adjusted Net Debt stood at 42% by the end of the third quarter, well above our target level of around 30%.

Return On Capital Employed came in at 23%, an increase of 8 percentage-points and was significantly positively impacted by the farm-downs of Walney Extension and Borkum Riffgrund 2 at the end of 2017.

Let us move on to the quarterly results of the business units starting with Offshore Wind on slide 11.

Power generation in the third quarter was up by 0.2 TWh compared to the third quarter last year due to the ramp up of generation from Race Bank and Walney Extension, partly offset by lower wind speeds. The third quarter 2018 wind speeds were at 7.7 m/s versus 7.9 m/s in the third quarter last year and 7.9 corresponds to the norm for the third quarter.

EBITDA for the quarter amounted to DKK 2 billion, an increase of 300 million driven by the 31% increase in earnings from operating wind farms. EBITDA from partnerships increased by 100 million due to high activity levels at Borkum Riffgrund 2. EBITDA was negatively impacted by higher project development costs across our market development portfolio worldwide.

Free cash flow totalled a negative DKK 3.2 billion, an increase of DKK 200 million. The increase was due to the higher EBITDA, less funds tied up in work in progress due to milestone payments on ongoing projects and lower gross investments. This was partly offset by higher receivables in the third quarter 2018 due to the higher generation as well as the receipt of a deferred payment relating to the farm-down of Race Bank in the third quarter last year.

The return on capital employed for wind power stood at 26%, again boosted by the farm-downs.

Moving to slide 12, let me just reiterate how you can estimate our gain on the farm-down of Hornsea 1.

As published in the company announcement, the proceeds from the transaction were GBP 4.46 billion corresponding to DKK 37.3 billion. That is the gross proceeds, so from there you deduct the cost of the offshore transmission assets which amount to around DKK 5.8 billion. The pound proceeds have been hedged but at a level that was fairly close to the current exchange rate and so these hedges contribute with a negative DKK 100 million.

This brings us to the net asset proceeds of DKK 31.4 billion and from here you need to take into account the CAPEX related to the divested part of the project as well as the project development costs including the purchase price related to the acquisition when we acquired the Hornsea project from SMart Wind. Furthermore, capitalised interest, costs related to the transaction, and a provision to Global Infrastructure Partners relating to the wake loss effect from the construction of Hornsea 2 needs to be deducted. Altogether this corresponds to approximately DKK 13.4 to 14.4 billion. And this gets us to the expected construction and divestment gain of DKK 17-18 billion.

Of this, the entire gain on the share purchase agreement is expected to be booked in the fourth quarter 2018 and altogether we expect that 85% of the total profit from the transaction will be booked this year. The remaining 15% of the expected profit will be booked as EBITDA from construction contracts in 2019 and to a lesser extent 2020.

Let us turn to the results for Bioenergy on slide 13.

EBITDA decreased by DKK 100 million and amounted to a negative DKK 200 million in the third quarter 2018. The decrease was primarily due to warm weather as well as higher maintenance costs and project development costs related to biogas and Energy Storage Solutions.

Free cash flow in the third quarter amounted to a negative DKK 200 million, an improvement of DKK 400 million compared to the third quarter last year. The improvement was driven by the received proceeds from the divestment of our 50% ownership stake in the Dutch gas-fired power plant Enecogen which was divested back in July.

Turning to slide 14, covering the results in Customer Solutions.

The EBITDA for the third quarter 2018 increased by DKK 300 million, mainly due to our higher margins in the LNG business as well as increased earnings in Markets from higher gas prices during the third quarter. The higher margins in LNG were mainly due to utilisation of location spreads and optimisation of our physical positions in the LNG market. The increase in gas prices has led to an increase in the accounting value of our gas inventories, all else being equal, this will lead to an expected offsetting negative effect either later this year or in the early part of 2019 when we sell

the gas. Furthermore, earnings in the markets business in the third quarter 2018 were positively affected by the fact that the gas prices have increased since we hedged the price of the gas purchased in the third quarter. The gas was placed at our storage facilities with the intention to sell it in the first quarter next year. The current gas prices are higher than both the hedged purchase price in Q3 2018 and the hedged sales price in the first quarter next year. This led to a gain in the third quarter 2018 when we bought the gas and it will expectedly lead to a loss in the first quarter 2019 when we sell the gas.

As a result of strong performance in Customer Solutions year-to-date, we have changed the directional full-year EBITDA guidance for Customer Solutions relative to last year from being 'lower' to now expected to be 'in line'.

The free cash flow decreased by DKK 100 million. The decrease remained, was mainly due to the negative effects from funds tied up in our gas storage as a result of higher gas prices and also from higher accounts receivable.

And finally, moving on to slide 15 and our financial guidance.

As I mentioned, we have increased our full-year EBITDA guidance by half a billion and now expect to deliver a full-year EBITDA excluding new partnerships of DKK 13-14 billion. As mentioned, the farm-down of Hornsea 1 is expected to close before the end of the year and will therefore impact the Q4 numbers. We still expect our EBITDA including the profit from the Hornsea 1 partnership to be significantly higher than the 2017 EBITDA level of DKK 22.5 billion.

On 8 October, we increased our Gross Investment guidance from DKK 16 to 18 billion up to DKK 23 to 25 billion following the agreement to acquire Deepwater Wind. Besides the purchase price, the updated guidance includes early CAPEX commitments for the US offshore and onshore wind portfolio in the fourth quarter as well as increased spending in the remaining construction portfolio due to timing.

And let me just end by saying that we are very much looking forward to seeing you at our Capital Markets Day on 28 November at our offices in Copenhagen. It will be a full day covering a strategic and financial update as well as the latest acquisitions of Deepwater Wind and Lincoln Clean Energy and deep dives into the Offshore Wind and Customer Solutions businesses.

On that note, I will end it here and open up for Q&A. Please, operator.

0.26.05

Operator

Thank you. Ladies and gentlemen, if you do wish to ask a question please press 01 on your telephone keypad. There will now be a brief pause while questions are being registered.

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

0.26.25

Kristian Johansen

Yes, thank you. So, my first question is on the operating offshore wind farms and in particular on earnings in the segment. So, if I look at the EBITDA you book measured per produced MWh this ratio was fairly stable sort of 2016-2017 but has come up this year so it was up 6-8% Y/Y in the first half and here in Q3 it is up 17% Y/Y. So can you just elaborate on why it is that you are earning significantly more money per produced MWh on your operating wind farms?

0.27.00

Henrik Poulsen

Kristian, it is fundamentally a matter of the mix of the underlying contracts in the operating asset portfolio as we bring new find farms into the mix this year, Walney Extension and Race Bank. It simply improves the underlying pricing mix per MWh.

0.27.25

Kristian Johansen

So, it is the new wind farms which drive up the ratio so the old wind farms, if you can say so, they are running at a consistent earnings level?

0.27.37

Henrik Poulsen

They are running at a fairly consistent revenue per MWh level, yes.

0.27.44

Kristian Johansen

Okay. That is quite clear, thank you. Then my second question is on the upcoming auctions on offshore wind in the US in the light of the expected Deepwater Wind acquisition, so obviously, the acquisition will essentially give you more than one site to choose from in some of these instances, however, at two of the sites, you have a partner in the form of Eversource and PSEG, so I am just curious what the sort of discussion with these partners has been and their take on this?

0.28.20

Henrik Poulsen

Yes, I mean, obviously subject to closing of the transaction, we will have a number of opportunities available in terms of sites, in terms of upcoming auctions and obviously, there is a piece of work ahead of us in terms of working through exactly how to optimise that total set of opportunities. When it comes to discussions with our partners, we would wait for the closing of the transaction and then we will obviously, at that point we will enter into a more specific conversation with our partners, both Eversource and PSEG.

0.29.05

Kristian Johansen

Alright, thank you, that was all from me.

0.29.09

Operator

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

0.29.17

Deepa Venkateswaran

Thank you. I have two questions. The first one is, you know, clearly, the wind yield has not been great this year. Could you quantify what is the impact and in case you had a normal year, then what would have been the impact on the 9-month EBITDA and what are you assuming in your full-year guidance for wind conditions in Q4 and what are your early signs so far on has wind normalised? Second question on the US deal, so clearly, Deepwater maybe came second in the contest, which is why they won Rhode Island so your bid for your own project was clearly higher so I was wondering whether you had the opportunity to buy Deepwater only at this point or could this have been even possible before you bid for Massachusetts? So maybe if you could just help explain the timing and now, do you feel better about whatever pricing Deepwater has for the Rhode Island project? And the third question is: Are you able to just talk a bit more on Taiwan and your progress on the PPA? Thank you.

0.30.26

Henrik Poulsen

Thanks, Deepa. Let me start out on the wind speeds. We started out very strongly in Q1, having higher than normal wind speeds and then we had a relatively poor second quarter in terms of wind speeds, mostly driven by not least May and June, and then in third quarter, we have been slightly below but only slightly, we have seen September in particular being helpful, so altogether year to date, the impact from the wind speeds being slightly below the norm is relatively small. There is a small net negative effect but as you know, we also tend to then progress our constructive

portfolio faster when we have low wind speeds which have a slight offsetting positive effect, so altogether it is a relatively minor impact on our result year to date. For fourth quarter, we always operate with a normal wind speed for the quarter as our ingoing assumption and for fourth quarter, that would be for our portfolio an average wind speed of 10.4 m/s. How we are progressing relative to that expectation quarter to date is not something I can comment on, that would be too early.

When it comes to the Deepwater Wind acquisition and whether we could have done the transaction at an earlier point, the short answer from my perspective is that that was not possible. No doubt, Deepwater Wind and their owners have been going through a number of considerations as to how to make the most of their investment and I don't think that the timing would have been ready for either one of us at an earlier point so we are glad we got the transaction done, it comes with tremendous strategic potential and upside, very pleased to bring the Deepwater team into Ørsted, it is a really, really strong team with a strong track record and combining that with our platform, we believe that is a very strong combination as we now move into a series of auctions over the coming year.

When it comes to the PPA in Taiwan, we are working on signing a lot of supply contracts at the moment and as mentioned, we have recently signed the turbine contract with Siemens Gamesa and we are signing a lot of local supply contracts as well. We are aiming to have the establishment permit in place in the early parts of December and it would still be our expectation that would enable us to sign a PPA with Taipower before the end of the year.

0.33.28

Deepa Venkateswaran

Thank you.

0.33.30

Operator

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

0.33.37

Casper Blom

Thanks a lot. A little bit of follow-up on the earnings side from the sites. You have a load factor of 39% here in the quarter which is almost on level with last year despite your mentioning that the wind speeds have been a bit against you. Is this sort of the effect of new parts coming into effect with higher average load factors? And maybe also if you could sort of elaborate a bit more sort of long-term on load factors, I mean you talked about 48% back in the IPO, now we are seeing a player like GE for example talk about their 12 MW turbine potentially having a load factor of more than 60, where you sort of see that heading, that is my first question. The second one relating to the Elsam court case, as you mentioned, Henrik. One of the cases are now sort of over and out but some still remain, if maybe you could add a little bit of detail to the potential scope of those court cases and what is the worst case as you see it? Thank you.

0.34.40

Henrik Poulsen

Thanks, Casper. The load factor of 39 is a year-to-date number which compares to a load factor last year year-to-date of 40, so it is just marginally below last year which pretty much corresponds to the difference in the wind speeds we see year-to-date so that correlation is as you would expect. For the quarter, we were at a load factor of 32 compared to 34 last year, which again reflects the slight difference in wind speeds. When it comes to our expectations to load factors where we have previously communicated the 48-50, those numbers are still valid, and we still have good visibility on that assumption.

When it comes to Elsam, we have concluded the 2005 and 2006 case, as you said, it is now gone. There is still a 2003 and 2004 case and there will now be a process with the competition authorities to understand exactly how they want to progress this case. So we are going to have to await how that turns out before we can really provide another update and the compensation case again obviously hinges on the competition cases, so the compensation case again will be waiting for the outcome of this process with the competition authorities on the 2003 and 2004 case. That all sounds awfully complicated but I hope you nonetheless got the picture.

0.36.24

Casper Blom

I got the picture that you couldn't get any more specific but Henrik, if I just may challenge you a little bit on the 48-50%, I mean, why wouldn't you expect those load factors to tick up as parts get more advanced and turbines get bigger?

0.36.40

Henrik Poulsen

You know, there are many things weighing in on the load factor. As the turbines get bigger, that is not necessarily in and of itself driving the load factor up. In fact, if you don't have sufficient wind for bigger turbines with bigger blades, you could actually be driving the load factor down. So, if you increase the turbines and the blades and you maintain the load factor, you get obviously a tremendous step-up in the total output, so this is a more complex equation driving the load factor of the total portfolio.

0.37.18

Casper Blom

That's fair enough. Thank you.

0.37.20

Operator

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

0.37.28

Mark Freshney

Hello, yes, I have two questions, please, firstly on some of the input costs. I recognise you can put up wind farms more efficiently but some of the anecdotes are things like forgings and some of the turbine prices and costs are starting to show inflation and I was just wondering what you are seeing there? And my second question is just on the LNG business, which I understand relates to the onerous contracted gate and the contract with Iberdrola that rolls off in 2021. Can you talk about how much the provision releases are? Because I understand there is a big provision release each year which inflates profitability there. Thank you.

0.38.24

Henrik Poulsen

Thank you. Let me just comment on the input prices. You know, there is obviously always fluctuations in the underlying input prices on an offshore wind farm and turbines, when it comes to turbines, we still see a continued cost decrease per MWh. We have seen, obviously, dramatic decreases in recent years and it is still our expectation that we will continue to see a declining trend on the price of turbines measured per MWh.

Steel prices have been fluctuating, however, when you look at the total impact of fluctuations in steel prices on the total CAPEX of an offshore wind farm, it is a relatively minor impact that you would get if you for instance assume a 10% increase in steel prices or for that matter a 20% increase in steel prices, it is still a relatively low impact on the total CAPEX of an offshore wind farm, so altogether, we do not see the continued cost out journey being jeopardised, we still expect the cost out journey to continue in the years to come.

When it comes to the LNG business, we had strong trading in Q3, as I mentioned, we have seen increased activity in the Atlantic market, we have seen increased volatility, which obviously allows us to edge out better spreads and we have also seen an opportunity to redirect volumes from Gate to Asia, thereby locking in a good spread between European and Asian pricing on LNG.

When it comes to the provisions, we are releasing from the provision on an annual basis, it is not a number that I can comment specifically on but that is obviously a number that goes against the long-term onerous contract on the Gate-facility in Rotterdam.

0.40.44

Mark Freshney

Okay, thank you very much.

0.40.48

Operator

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

0.40.54

Marcus Bellander

Thank you, two questions from me. The first is a follow-up on Kristian's question regarding the sort of average or the earnings per MWh which have been increasing and I understand that there are more highly profitable UK wind farms coming into the mix but when I look at the average power price in Q3, it is EUR 190/MWh according to my calculations and as far as I can recall, there is no wind farm in your portfolio that commands such a high power price so I am just wondering how that is possible.

0.41.41

Henrik Poulsen

Sorry, Marcus, could you give me the number again? I am not sure I can reconcile it. What was the number you had?

0.41.47

Marcus Bellander

EUR 190/MWh

0.41.55

Henrik Poulsen

I don't have that number readily available, Marcus, I don't know the 190 number, it is not one I have off the top of my head, so I am not sure I could give you a very good answer to it, but I am sure there is an explanation.

0.42.11

Marcus Bellander

I will follow up with the IR on that. Second question, it seems there were unusually high project development costs in Q3 in the offshore wind division and also employee costs and other external expenses were kind of high. Could you elaborate a little on that?

0.42.32

Henrik Poulsen

I mean, we are investing into developing a number of markets around the world, as you know, currently, we are investing in market development in both Asia, US and Europe, that is what is driving the development costs. There is no doubt that we see an acceleration of global demand for offshore wind, we see tremendous growth opportunities around the world and this also means that we see more and more markets coming into offshore wind and this will inevitably give us more opportunities for growth, which again will drive more investments into market and project development.

0.43.12

Marcus Bellander

Okay, understood, thank you.

0.43.17

Operator

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

0.43.22

Iain Turner

Good morning, everybody. Can I ask about the Danish utility asset sale? There have been some press comments about that, about political interference in who you may and may not sell that to, if you could just comment on that, please.

0.43.35

Henrik Poulsen

Yes, thanks, Iain. The process is very much on track, we are following the timeline that we had laid out, we see strong interest for the assets and we are obviously focused on building a strong field of potential buyers to make sure that we get a good price for the assets, they are quite strong businesses, and we are obviously also focused on making sure that we find a buyer who will take good care of the business, of the assets and the employees, so overall, we also want to make sure that we find a responsible buyer. I am quite convinced that there are many good potential future owners among the bidders who are currently signing up for the process, so I am not overly concerned as to whether we are going to find a good buyer and a good price for these assets.

0.44.33

Iain Turner

Thank you very much.

0.44.36

Operator

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

0.44.42

Baptiste Cota

Good morning, thank you for taking my questions, I have three. The first question is can we expect a positive contribution of LNG next year if gas prices remain elevated or is this a particularly good quarter? So, in essence, is it more about volatility in lower price differentials so will we have to see next year, or can we get an idea already? Secondly, the increasing full-year guidance, my impression is that it is mostly about construction, maybe around 300 million of it or a bit more and the rest Customer Solutions, would that be right? And lastly, what is the scale of the one-offs in Bioenergy, the higher maintenance and development, just to get an idea of how we could move for next year. Thank you very much.

0.45.28

Henrik Poulsen

Thank you. The contribution from the LNG business in third quarter was unusually strong so I would not in any way extrapolate that into 2019, the main reason being that we saw a sudden shift in spreads between Europe and Asia which opened up for a number of very good deals during the quarter. We have seen that spread basically disappearing again now. It is a very sensitive spread which can change rapidly and therefore, we should not expect that we will have that same trading opportunity during 2019.

When it comes to the guidance, I would not go in and start splitting it out on the underlying drivers. You are absolutely right that we have seen a very good contribution from Borkum Riffgrund 2 being ahead of schedule driving expected income from both production and the construction agreement, but we also see solid contributions from LNG and from the rising gas prices, so it is a mix of those factors and I would rather not start splitting it out factor by factor.

And the final question was related to Bioenergy, the project development in Bioenergy, we are investing into project development in the green waste solutions business so not least in Biogas projects but also some R&D expenditures going into our Renaissance technology and those are basically the investments that we are taking at the moment to continue to invest and explore the long-term growth potential of this business. Secondly, you should also bear in mind

that we are working on a couple of storage projects at the moment and those project development costs in what we call Energy Storage and Solar, that is a small unit, those costs are also captured inside the Bioenergy business.

0.47.59

Baptiste Cota

Thank you very much.

0.48.02

Operator

Thank you. Our next question comes from the line of Klaus Kehl from Nykredit Markets. Please go ahead, your line is open.

0.48.08

Klaus Kehl

Yes, hello, Klaus Kehl from Nykredit Markets. Two questions. First of all, could you give us an update on where you are with the Borkum park as we speak? And when will you connect that part to the grid? And secondly, you mentioned that you were seeing tremendous market opportunities ahead and normally we speak quite a lot about UK, Northern Europe, Taiwan, US, etc., but I was thinking what is going on in countries like Sweden, Norway, Japan and where is South America at these days? That would be my questions.

0.48.48

Henrik Poulsen

Thank you, Klaus. When it comes to Borkum Riffgrund 2, we are very close to having everything completed. Right now, we have for the last few days been waiting on weather. The wind speeds have been quite strong in the area which means that we have not been able to finalise the construction but as soon as we get an appropriate weather window, we will put up the final turbine and then we will move that into the so-called 240-hour test which will ultimately lead to the commissioning of that final turbine and that again will ultimately lead to the commissioning of the full wind farm. So, all in all, we will expect that again subject to weather windows to happen within the next 3-5 weeks, so we expect the wind farm to be fully commissioned probably by early December and yeah, that is basically the timeline.

When it comes to market opportunities around the world, we are obviously still very focused on progressing all of the opportunities we see in our traditional core markets in Germany, the UK and Denmark but we also do invest into opportunities in Asia, also outside of Taiwan, and we are looking into additional markets also in Europe, again we are going to be a little bit cautious in terms of getting too specific on exactly where we are working on what. for competitive reasons but as I said earlier, there is little doubt that offshore wind at the moment arguably probably is the fastest growing renewable technology in the world.

0.50.39

Klaus Kehl

Okay, so just to follow up, so what you are saying is that new markets are opening up, but you don't want to be too specific, which I understand, due to competitive reasons. Is that the way to understand it?

0.50.50

Henrik Poulsen

We see an increasing amount of market opportunities around the world but again, we are going to be a little bit cautious in getting too specific too early. That is right.

0.51.00

Klaus Kehl

Okay, excellent, thank you very much.

0.51.04

Operator

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

0.51.09

Mark Freshney

Hello, can I ask a question about balance sheet, please, Henrik? If I think back to the incremental CAPEX bridge or investment bridge that you presented right at the beginning of this year, when I look at things like the additional green growth opportunities, and projects to reach FID and I look at what you have done at Taiwan and with the acquisitions, it seems to me that a lot of those have been taken. When it comes to managing the balance sheet in the very big commitments that you have, is it likely that you will now need to for certainty farm down your stakes in Borssele 1 and 2 and Hornsea 2? And if not, what kind of balance sheet measures would you take?

0.52.04

Henrik Poulsen

Thanks, Mark. You are absolutely right that when you go back to the bridge that we shared, we are clearly seeing a lot of pipeline opportunities around the world and in the meantime, we have also secured a number of those opportunities so we will be investing a lot into continued long-term growth for the company and that will obviously lead to a continued high investment level in the years to come.

When it comes to our need for financing, we are still quite comfortable that we can finance the growth programme that we are looking into. We will provide you with the further update at the Capital Markets Day on 28 November, so I will probably save the rest of the answer for that day, Mark, and we can engage in a more specific discussion at that point. Right now, we are not planning on additional farm-downs in Europe post Hornsea 1, as you may know, we are looking into a potential partnership in Taiwan for the first project where we are in early stages of exploring such an opportunity.

0.53.17

Mark Freshney

Okay, thank you very much.

0.53.20

Operator

Thank you and as there are no further questions, I will return the conference to you, Henrik.

0.53.25

Henrik Poulsen

Alright, thank you all very much for joining, thank you for all of the good questions and looking forward to hopefully seeing all of you on 28 November. Have a continued good day.