# Ørsted Anticipated impairments on US Portfolio
## Transcription

30 August 2023

# PRESENTATION

**Mads Nipper**

Good morning, everyone, and thank you for joining this call. Yesterday evening, we announced the anticipation of an impairment to part of our US portfolio on the back of a pre-FID review of our near-time US offshore development projects.

As part of this review, we have assessed the aggregate adverse impacts relating to our supply chain developments, lack of favourable progress on our ITC guidance, and interest rates increasing. Let me walk you through each of the respective developments.

On the supply chain challenges, we have seen several impacts by a handful of supplier delays materialising over the recent weeks, which relate to our Ocean Wind 2, Sunrise and Revolution Wind projects. As there is an inherent risk associated with our project schedules, we constantly monitor these risks across all our projects and ensure that we take the most impactful steps in mitigating those.

In recent weeks, we have seen an increase in probability that some risks will materialise, leading us to reflect this in our business cases. Specifically, the adverse impacts relate to our foundation supplier for Ocean Wind 1, EEW, that is experiencing challenges in the production of foundations. This means that we now expect a COD early 2026 of Ocean Wind 1. For our North-Eastern projects, Sunrise Wind and Revolution Wind, the project's foundation supplier, Bladt, is also experiencing ramp-up and transportation challenges.

And finally, we've seen an increase in likelihood of risks materialising around the timing of our Charybdis vessel, as well as greater visibility on the costs to mitigate these. It remains our expectation that we will utilise the Charybdis vessel for at least part of the installation of our North-Eastern projects.

While working on several mitigating actions, we have concluded that there is a continuously increasing risk in these suppliers' ability to deliver on their commitments and contract schedules. This could create knock-on effects, requiring future remobilisations to finish installation as well as potential delayed revenue, extra costs and other business case implications. Our current assessment is that the impact from these developments can lead to impairments of up to DKK 5 billion. However, we continue to work on all mitigating actions that can reduce these impacts.

In addition, our continued discussions with senior federal stakeholders about additional ITC qualifications for Ocean Wind 1 and Sunrise Wind are not progressing as we had previously expected. We continue to engage in discussions with federal stakeholders to qualify for additional tax credits beyond 30%. If these efforts prove unsuccessful, it could lead to impairments of up to DKK 6 billion. The level of the possible impairment would be decided based on a probability-weighted assessment of the likelihood of obtaining the additional ITCs.

Finally, the US long-dated interest rates have increased, which affects our US offshore projects and certain onshore projects. If the interest rates remain at the current level by the end of third quarter, it will cause an impairment of approximately DKK 5 billion.

The above factors cause deterioration of the business cases, which is of course very unsatisfactory. As we've previously communicated, the near-term US offshore wind development projects do not meet our value creation target on a lifecycle basis.

However, we remain convinced that as additional investments that we will be deploying into the portfolio will be within our 150 to 300 basis point spread-to-WACC target on a forward-looking basis, we will continue to mature the projects while working on all levers that can contribute to the value creation. And pending boundary conditions, such as tax credit clarity and local permits, we will work towards a final investment decision for the projects either by the end of the year or early next year.

Let me be clear that we will continue to carefully assess all of our options related to our awarded US projects to ensure that we make the most financially responsible decisions. As we've communicated earlier, we are willing to walk away from projects if we do not see value creation that meet our criteria.

To ensure that we will not end up in a similar situation, we will ensure that we have significantly improved project visibility which, amongst other, will be enabled by the development of our first wave of projects. This is already reflected in our approach towards the remainder of our US-awarded portfolio, where we had decided to reconfigure our Skipjack and Ocean Wind 2 projects, as they currently do not meet our value creation criteria.

Similarly, our recent and future bids in the US ensure that we can mitigate some of the risks that our awarded portfolio have encountered in terms of cost inflation, as this will be adjusted through inflation-adjusting mechanisms in the offtake price.

Adjusted for the anticipated impairments, our average ROCE for the period 2023 through 2030 will remain around 14%. Other ambitions and financial targets remain unchanged. '

And with this, let's open up to questions for myself, our Group CFO, Daniel Lerup, and the CEO of our Region Americas, David Hardy. Operator, please.

# Q&A

### Operator

Thank you. As a reminder, if you'd like to ask a question, you can press star followed by one on your telephone keypad. If you'd like to remove your question, you may press star followed by two. Please ensure you're unmuted locally when asking your question.

Our first question for today comes from Harry Wyburd of BNP Paribas (Exane). Your line is now open. Please go ahead.

#### Harry Wyburd

Hi. Morning, everyone. It's Harry Wyburd from Exane. I'll stick to the usual one question, because I presume there will be many others. Can I just start by asking which of your CMD's financial targets for the long term, so up to 2030, remain valid, and which ones are effectively being modified by this announcement?

And specifically on the ROCE guidance, if I'm understanding correctly, you reflected the write-down in lower capital employed, so presumably that implies a long-term EBIT downgrade. And I wondered if you could quantify that EBIT downgrade and also help us understand whether it's just driven by the EBIT impact of lower ITC assumptions, because I understand that the ITCs come through EBIT, or whether there's something else implying a lower EBIT as well. Thank you.

**Daniel Lerup**
Yes, thank you for the question, Harry. So it is only our long-term ROCE target that will be impacted by the impairment. And as we also outlined in the company announcement, there is of course still uncertainty as to how that impairment will turn out, specifically very much due to the ITCs, where there's still uncertainty whether we'll get the 30% or 40% on Ocean Wind 1 and Sunrise.

So of course, the ROCE will depend on the size of the impairment. But are we in a scenario where, let's say, we do not get the ITCs, so it's a roughly 10 billion impairment that plays out, the long-term ROCEs, so the average up until 2030 will be impacted by roughly one percentage point. So that's going from around 14% to 13%. So we are still committed to delivering on those roughly 14% ROCE, however, adjusted for the amount of the impairment. And you are correct that the ITCs will be going through the EBITDA and EBIT.

**Harry Wyburd**
Okay, thank you. Sorry, just to clarify. So the 1% difference you mentioned, the 14% to 13%, is that saying on the current level of capital employed, pre-impairment, we're looking at a 14% to 13% decline, and therefore you could apply that roughly to EBIT as the delta, if I understood that right?

**Daniel Lerup**
No. So it's basically just the impact of the impairment this year. The size of that impact in the average ROCE is roughly the one percentage point impact.

**Harry Wyburd**
Okay. Thank you very much.

**Operator**
Thank you. Our next question comes from Alberto Gandolfi from Goldman Sachs. Your line is now open. Please go ahead.

**Alberto Gandolfi**
Thank you for taking my question. I'll also stick to the one rule. It's a question of two parts. What has changed in the past couple of months since the CMD? Why do you see now things worsening that you couldn't have seen back then?

And at the CMD, you said those projects in the US are not particularly... Well, do not create value. They are NPV neutral, I think you used as the terminology. But you also said, from now on, even the capex we have already spent, we'd better continue and go ahead, because they have an NPV positive if we look at what is left to spend.

Now, given the picture you just painted on supply chain, on delays, on cost, on interest rates, I guess the question is, but if you don't mind, I would love you to touch on the points I made, why don't you just walk away if things are getting worse? Why don't you just walk away if you don't get an incremental ten percentage points? Your stock is not pricing in future growth. We continue to have negative news on the offshore industry. Why not play a bit more hardball with the policymakers if you don't get the 10% NPV? So I guess the big question, why not walking away? Thank you.

### Mads Nipper

Yes. Thank you, Alberto. Let me take the two-in-one question. So what is it that actually has changed since the CMD? Because we actually said that there were known costs in our contract, which is actually still true. So the adverse implications we see are not to... They are about the delays and the impacts of those delays, so essentially not something that was outstanding to negotiate at the point of time where we had the CMD.

And we are still in a situation where the forward-looking is still for the portfolio within the 150 to 300 guided range on a forward-looking basis. And this is where, yes, it is tempting to say, couldn't we just walk away. But as we already shared at the point of time of the CMD, the level of sunk cost just means that it is the financially rational decision to stay in these projects, where we clearly said it is the exception to the rule. These projects that have already suffered from significant delays from the previous administration in the US, we said they are going to be positive within the guided range on a forward-looking basis. It's still the case. And even with the current assumptions that we mentioned in terms of potential impairments, that is still the case. But we are putting maximum pressure on the federal stakeholders to ensure that we get the support needed to avoid some of these impairments. So walking away would still not be the best and most responsible way for our shareholders' money.

### Operator

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

### Deepa Venkateswaran

Thank you. I have a similar question on what has changed, which is on the negotiations with the federal agencies. So we know that at the CMD, there was a draft, and you were confident of moving it along in the right direction. So can you tell us what happened in the meantime in your negotiations?

And secondly, I know you've also separately applied for a PPA renegotiation for Sunrise Wind in New York. Is there any assessment of how that's going? Is there any quantification of that that's included? I think not. If not, could you also highlight, if you were not to get that I think almost 27% or 29% escalation, then what is the additional impairment we could be looking at? Thank you.

### David Hardy

Hi, Deepa. Thanks for the question. This is David. Yes, just to follow up on your question. At the time of the CMD, we highlighted a handful of things that were in our assumptions. One was the pass-back in New Jersey, which thankfully we've successfully achieved. The other one was the renegotiation with the State of New York for Sunrise, which you mentioned. I would say that that process is still in motion. We're hoping to get resolution on that in the October/November timeframe. But based on a lot of comments... The comment period has closed for feedback from stakeholders just this week. And based on those comments, it seems like we have a lot of support for getting some support there. So we include in our current assumptions a fairly high probability that we'll still be able to get that OREC adjustment on the Sunrise Wind project. Obviously, there's some risk that that might not happen, and then that would change our assessment. But as it stands today, we still feel very confident about that one. Then the part that maybe is hard to explain is, at the time, we said that we assumed 40% ITC across our portfolio, those three projects, near-term projects. Right now, we have high confidence that Revolution will achieve 40%. For Sunrise and Ocean Wind 1, I guess there hasn't been a strong catalyst per se that's giving us less doubt, but there is not enough progress to give us more confidence. And as these supply chain issues became a catalyst for us wanting to be more transparent with you about challenges on our projects, we also took the opportunity to highlight the most recent interest rate changes and the lack of progress on the ITCs.

But as Mads said, we are still exerting a lot of pressure. We're still highlighting to federal stakeholders and others the need for better guidance that supports these projects and the industry overall. And I would say that just the lack of progress has caused us to slightly decrease our confidence in getting the ITCs, and we just showed the full range in this company announcement. But it depends on how things play out over the next months, if we actually take that impairment or not.

**Deepa Venkateswaran**
So just a follow-up. So the DKK 6 billion is the maximum for ITC. What you might end up taking will be a probability-weighted adjustment if you think that... So is DKK 6 billion the maximum, or is DKK 6 billion what you're more likely to take?

**Mads Nipper**
Yes, it's the maximum. That is if we do not get anything beyond the current 30% for Sunrise (*CORRECTION*) and Ocean Wind 1, Deepa. So if we get for one of them, it would be a lower number, and if we get for both, it would be significantly lower.

**David Hardy**
And just one more comment. We're obviously trying to influence both the different options, the two different 10% adders, both energy communities and domestic content. So there's a parallel path to see if we can find a way to get at least 40% on all three of these projects.

**Deepa Venkateswaran**
Okay, thank you.

**Operator**
Thank you. Our next question comes from Kristian Johansen of SEB. Kristian, your line is now open. Please go ahead.

**Kristian Johansen**
Yes, thank you. So just getting back to the renegotiation on the OREC with the State of New York. So as I recall it, you obviously did the impairment on Sunrise Wind earlier, so as I recall it, if you actually were able to get this renegotiated, you had to reverse that impairment. So can you just talk us through the potential financial implication if you get it and if you don't? What will it trigger in terms of, yes, reversals or impairments?

**Daniel Lerup**

Yes. So this is an ongoing dialogue with the State of New York, so we can't be too specific on the numbers here. But we are, in our impairment assessments, putting a probability-weighted assumption into us getting an OREC adjustment. So there's both an upside and a downside in the impairment on Sunrise, depending on how the final adjustment will be recognised.

**Kristian Johansen**

Okay, that makes sense. And then just the second question here on Revolution Wind. Why are you so confident that you can get the 40% ITC for Revolution Wind but not for the two others?

**David Hardy**

Yes, this is David again. Remember, there's two different ways you can qualify for an extra 10%. Once is domestic content, which as the current guidance is written, no short-term, near-term projects, our's or anyone else's, will qualify. That's why we are in discussion with the administrators and federal stakeholders to try to explain that if they want to develop the offshore wind industry and the offshore wind supply chain, you can't put requirements that no one can meet.

But the second way to qualify is through this concept called an energy community. And there's preliminary guidance around what the definition of an energy community is. And basically, Revolution Wind qualifies based on that preliminary definition. So we have high confidence that when the final definition of energy community comes out, if it's not significantly different than what it is today, we would qualify. But we are trying to expand the definition of energy community to potentially help other projects qualify.

**Kristian Johansen**

Understood. Very clear. Thank you so much.

**Operator**

Thank you. Our next question comes from Dominic Nash of Barclays. Your line is now open. Please go ahead.

**Dominic Nash**

Yes, good morning. Thank you very much. A question from me. How much invested capital do you have in the US both before and after this write-down? And secondly, could you give us some sensitivity to changes in the interest rate on the write-down impairment level, please? Thank you.

**Daniel Lerup**

Yes, thank you for the question. So, we have invested roughly USD 4 billion into the US offshore portfolio, and it is that base we will be making the impairments on. When it comes to interest rate sensitivity, what we are indicating now with the company announcement is that if rate stays at current level, it will impact with roughly DKK 5 billion. And that is based on a roughly 50 bps increase in US rates, long-term rates, since the end of Q2. So I think that gives you an indication of the rate sensitivity.

**Dominic Nash**

Thank you very much.

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

**Lars Heindorff**
Yes, morning. Thank you for taking my questions. It's regarding the delays in the supply chain. Just a question on are there any…? You mentioned the foundation and also the supply vessel. Are there any issues related to the turbine manufacturers? That's the first one. And secondly, also, which onshore projects is it that are affected by these delays as well?

**Mads Nipper**
Thank you, Lars. I can take the first one. No, there are no issues relating to the turbine suppliers. For by far the majority, it is an implication and the potential delay implications of the foundation manufacturers and then the mitigation costs that we are now clear on of the delays in the installation vessel.

**Daniel Lerup**
Yes. So on the onshore side, it's spread across a number of assets, and it's only driven by the interest rate changes that we have seen. And it's a handful of onshore wind assets that are being impacted to the tune of roughly DKK 1 billion out of the DKK 5 billion that we indicate on the rate impact.

**Lars Heindorff**
All right, thank you.

**Operator**
Thank you. Our next question comes from Ahmed Farman of Jefferies. Your line is now open. Please go ahead.

**Ahmed Farman**
Yes, hi. Thank you for taking my question. Can I just actually come back to the longer-term EBIT targets? So could you just talk us through again, how does the announcement overnight impact the longer-term EBITDA 2027 and 2030 EBITDA targets? And give us some sensitivity, if you are unable to get the additional ITC credits, what would be the sensitivity around the longer-term EBITDA targets? Thank you.

**Daniel Lerup**
Yes. So our expectation is that despite the fact that you will potentially see a lower earnings in the EBITDA, longer term, from lower assumptions on the ITCs, we will still be able to, we will say, capture that uncertainty within our guided EBITDA growth towards 2030, so the 13% to 14% growth.

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

**Jenny Ping**
Hi. Thanks very much. So just to understand what we're expecting to see at the 3Q results, so effectively, you're saying the supply chain issue, DKK 5 billion, that's pretty much going to be charged in 3Q. DKK 6 billion ITCs may be a bit lower, depending on how the negotiations goes. And then the further DKK 5 billion is also going to go through. Is that the correct understanding? Thank you.

**Mads Nipper**

Yes. What we put out is essentially the up-to, and I think we have written up to DKK 5 billion on supply chain issues. And that is where, of course, we are mobilising everything we can to mitigate and lower those impacts. But with our current knowledge, that is the maximum number that we're looking at. So we are flagging that up-to range. In terms of interest rates, it's more mechanical. So if they stay at the current level, that's the rough impact of the DKK 5 billion.

The biggest uncertainty, and also where we will with some likelihood enter the lower number, is on the ITC implications, where we are just flagging the range, that if we get nothing in this time and have 0% outlook of that happening when we come to end of Q3, then this could be up to DKK 6 billion. But in reality, as we also write in the company announcement, this will be probability-weighted if we don't have an outcome on that. And therefore, it is very likely that it will be a different and lower number than that. That's how you should look at it.

**Jenny Ping**

Okay. And just to follow up on rates, I guess, as you say, it's mechanical, and it presumably would work the other way. If we, for whatever reason, continue to see rates go up, there's risk of further impairments just on that basis.

**Daniel Lerup**

Yes, that's correctly understood. And for impairment, we are using spot rates. So it's going to be quarter to quarter for the assets that are impaired, with a more mark-to-market approach on the interest rates.

**Jenny Ping**

Would you be able to share some sort of sensitivity around the rates impact on how you test?

**Daniel Lerup**

Yes. So what you are… The impairment that we are talking about now from the rates, the DKK 5 billion, that is basically driven by the fact that we've seen long-dated US rates go up with 50 bps since the end of Q2. So that gives you a good indication of the sensitivity that should rates go up a further 50 bps, we will probably be in that DKK 5 billion magnitude. If it goes 50 bps down, we will be able to not take that DKK 5 billion impairment.

**Jenny Ping**

Okay, that's really clear. And sorry, one last one. What bond yield are you using? Is it the ten-year or the 30-year?

**Daniel Lerup**

We don't want to specify specifically what yield we use, because it's a sensitive topic, what we put into our WACC, which is of course a key driver going into auction and tenders. But it is a long-dated US government yield that we assume as our risk-free interest rate.

**Jenny Ping**

Thank you so much.

**Operator**

Thank you. Our next question comes from Dan Togo of Carnegie. Your line is now open. Please go ahead.

**Dan Togo**
Yes, thank you. Just a question on what are the possibilities for you to recover any of this through your suppliers in the supply chain or through merchant elements when you finally…? Through selling the power at a later stage? So what are the possibilities of recovering some of this at a later stage?

**Mads Nipper**
Yes. So I wasn't sure that I understand the second part of your question. But on the first part, we of course do have contracts that put us in place to get some compensation from some suppliers. But that is typically something that is capped at around the contract value. And unfortunately, if there is a delay like we see right now, the knock-on implications on the total project economics are greater than that.

And that's also why we will, of course, pursue those opportunities, but the total project impacts are regrettably significantly greater than the liability that our suppliers would have. And if there was a second part of that question that I didn't answer, please repeat.

**Dan Togo**
Yes. It was just if any of these offtake contracts, or you can sell some power at a later stage through a merchant opportunity that could impact, so to say, the project return. Is there a possibility there at some point?

**Mads Nipper**
Yes, I think the short answer is that that is already assumed to be the case then. So that would not be one of the big upsides. Because obviously, right now, this is an unsatisfactory situation, so I think it is quite important also to mention that there are still upside levers such as also, and David can elaborate, cheap loan opportunities from several channels that we could still get at that would mean project economics could improve. We are still in process with that.

As mentioned on the ITCs, we have far from given that up yet, which would give an upside to the level that we have right now. But on the overall fundamental project economics, it would mainly be within mitigating the impacts of the supply chain, plus the already ongoing negotiations on OREC and ITC, that would be the upsides compared to the picture we have right now.

**Dan Togo**
Understood. Then just a small follow-up. Can you give us comfort in whether this is contained to the US? You are starting with interest rates and supply chain, I guess, other places in the world. So are we facing similar issues elsewhere in the portfolio?

**Mads Nipper**
No, the overall picture is that this is a US issue. Of course, there are rate increases in other parts of the world. But also, we are assessing those on an ongoing basis, but we are not at a level where this is something that leads us to impairments, unless something further happens towards the end of Q3. But it is primarily a US issue.

And for example, the supply chain issues, they are always in offshore. There are supply chain challenges that we are generally very good at fighting. But the magnitude of what we are seeing in the US, because it's a completely new market, is just significantly bigger than anywhere else.

**Dan Togo**
Understood. Thank you.

**Operator**
Thank you. Our next question comes from Sam Arie from UBS. Sam, your line is now open. Please go ahead.

**Sam Arie**
Thanks very much. Good morning, everybody. Thanks for doing this call. I think I just wanted to ask, just putting together some of the earlier questions, I think you said you had about USD 4 billion invested in the US. And thinking about your DKK 16 billion impairment case, which looks like a little bit more than half of that value, my question is, could you talk to us about what could be the remaining downside case? I suppose in the scenario where the supply chain issues get worse, you have further delays, etc. etc., how would that work out?

I suppose, on the one hand, you might think you have to write everything down. On the other hand, you might say, well, even if you walk away from these projects, you're still going to have the possibility to do them again in the future under different terms, and so there would still be some value left. So can you just help us think through what is the worst-case scenario if things were to get worse from here, focusing on the US only rather than the world. Thank you.

**David Hardy**
Yes. Obviously, we wouldn't be having this call if we hadn't done a whole lot of work to really take our best guess at what we think is the actual situation that we're in. And within all these numbers, we still carry a lot of contingencies, we've got probability weighting that could lead to both upside and downside, etc. And so I just think it's not super valuable for us to speculate how much worse it could be. There's so many things that could go right, and there's obviously things that could continue to go wrong. So, this is our best assessment of where things stand today. And we're working all the channels that we have, both on the project mitigation channels to try to minimise these downsides, not use all our contingencies so that inherently creates an upside, and the levers that Mads already spoke about around ITCs, price negotiations and other things. So, I don't think we can give you more clarity on how worse could it go. I think we've been clear that we will only move forward if we have positive, forward-looking value creation. And we haven't taken FID on these projects yet. So as we continue through the next four to six months in that, continuing to understand these risks better and mitigate them and control the upside potential that we can, then we'll just try to be as transparent as we can to our shareholders and analysts, etc.

**Sam Arie**
Okay. Listen, thank you for that, and I understand it's difficult to give me another scenario, but maybe I could just... Just one quick follow-up.

Could you just help us understand, in a scenario, which I think Alberto asked about earlier, where you did decide at some point you just have to walk away from some of these projects, directionally are there additional negative unwind costs that you would have to incur if you walked away from the project? Or would you see some sort of floor value that you would still retain in those potential projects, assuming if you walked away from the current contract, you might still be able to build them in the future with other contracts?

**David Hardy**
Yes. Again, as we look at the projects and we take prudent business decisions, that's obviously one of the scenarios we look at every time; what's the unwind cost, what kind of recovery could we get in our termination costs, how could we reuse the equipment, what commercial negotiations could we have with suppliers, etc, is there inherent value that we could apply to a different offtake scenario, etc. So we really try to do a full, thorough analysis of all the potential options for the project, and we really do look at all these different scenarios. And as it stands today, we believe the best position or the best direction is to continue to invest in these projects. As unfortunate as it is that we have to announce potential impairments, it still is the better choice than walking away today.

**Sam Arie**
Okay, understood. Just as a comment, I suppose that still leaves me a bit unclear how far away we are in today's announcement from the walk-away values. But I guess what you're saying is you can't disclose that, so I appreciate the comments that you did give. Thank you for that.

**Operator**
Thank you. Our next question is from Martin Tessier of Stifel. Your line is now open. Please go ahead.

**Martin Tessier**
Yes, thanks. Good morning, and thank you for taking my question. Reading the press release, cost inflation is not mentioned, but instead you mention project delays due to a tight supply chain, higher interest rates and unsuccessful discussions regarding ITCs. So I was just wondering if we could see further impairments in the short to medium term due to cost inflation.

Because you already placed DKK 2.5 billion in February for Sunrise Wind, but the announcement from this morning mentions other projects where you have not placed any impairments regarding cost inflation yet. So can we have more clarity on this, please? Thank you.

**Mads Nipper**
Yes, we're happy to comment on that, Martin. As we'd already said at the CMD, the costs of these projects in terms of the contracts, we have very high visibility to. And that also means that the likelihood of direct inflation-driven downside is low, because this is where we have already... These are advanced projects. We have uncovered these issues as part of our pre-FID work, which is very thorough. And we have actually essentially confirmed that cost and inflation picture as part of that work. And the impacts we see here, are by far the largest part of this up to DKK 5 billion is driven only by the knock-on implications of the delays. So we would say that the risk of inflation-driven future impairments or negative impact is low.

**Martin Tessier**
Okay, thank you.

**Operator**
Thank you. Our next question comes from Klaus Kehl of Nykredit. Your line is open. Please go ahead.

**Klaus Kehl**
Yes, good morning. Related to this impairment of DKK 5 billion related to the rising interest rates, what happens with this impairment if, let's say... Well, let's say that interest rates stay at the current level throughout this year, and then in '24, let's just assume that interest rates drop 100 bps. Will you then start to make reversal of the impairments, or is that, yes, impossible from an accounting point of view?

**Daniel Lerup**
No, that's correct. So we will, every time we do impairments, base it on the updated spreads at the point of impairment. And if we see rates go down, we will reverse the impairments if the totality of the project has a higher forward-looking value with that specific spot rate.

**Klaus Kehl**
Okay. So just to be clear, you will be able to reverse any impairments if rates start to go down in '24?

**Daniel Lerup**
We will be able to reverse, yes, if rates go down. Correct. It's the correct answer.

**Klaus Kehl**
Okay. Thank you.

**Operator**
Thank you. Our final question for today is a follow-up question from Jenny Ping of Citi. Your line is now open. Please go ahead.

**Jenny Ping**
Hi. Thanks. Just on the interest rate point, I'm not sure I quite understand. I haven't come across any other long-dated asset companies doing write-up/write-downs on interest rate alone. So I just want to understand that point. And also, I guess, the other question related to it is, what about the rest of your asset book? Interest rates have gone up across the globe, so have you been looking at, or is there risk of, the rest of your asset book on this interest rate point? Thank you.

**Daniel Lerup**
Yes. So basically, we need to follow the accounting rules and assessment based on the spot interest rates. So we will be seeing that when a project has moved into impairment territory, it is going to be very sensitive to the development in the long-dated interest rates. And that means that headroom will be going out when the rates go up and increase when the rates go down, and when you have impaired already a project due to the rates, then if the rates go down, we are able to reverse that impairment in our books. But that is the accounting standard.

**Jenny Ping**
And the impact for the rest of your asset book?

**Daniel Lerup**

So we have done the assessment of the rest of our assets, and there is no impairment outside of the US. But of course, as I said, when rates go up, the headroom will become smaller and smaller as we take a forward spot rate view on impairments, yes.

**Jenny Ping**

Thank you.

**Operator**

Thank you. Our next question comes from David Paz of Wolfe Research. David, your line is now open. Please go ahead.

**David Paz**

Hi. Thank you. I just had a clarifying question and then a separate question. Is the EBITDA growth rate that you had for 2027 and 2030, are those intact? I think I heard you say yes, but then I also heard you say that they could be lower. Just can you clarify, please?

**Daniel Lerup**

Yes, they are, in fact. Yes, they are, in fact.

**David Paz**

Okay, thank you. And then just on the US portfolio in general, you said 1 billion was on the onshore, DKK 1 billion was on the onshore, on the spread onshore projects. Did I hear that correctly? And is that just related to the inflation, sorry, interest rate potential impairment, or was that separate from the interest rates?

**Mads Nipper**

Yes, that's correct. Driven by the interest rate increase, roughly DKK 1 billion spread across a handful of US onshore projects.

**David Paz**

Got it. So no incremental delays on onshore businesses from your Q2?

**Mads Nipper**

No. No.

**David Paz**

Okay. Thank you.

**Operator**

Thank you. Our next question comes from Richard Alderman of BTIG. Your line is now open. Please go ahead.

**Richard Alderman**

Hi. Thanks for taking my question. I was just wondering, given the comments you said around the outlook for the balance sheet at the Capital Markets Day, if all of what you said today comes towards a worst-case scenario, we have higher rates and possibly even a higher than DKK 16 billion impairment, does it change your view on the need for equity for the business in the next two or three years in relation to what you said at the Capital Markets Day?

**Mads Nipper**
No, it does not, Richard. We have carefully assessed that, and it is still, even with these adverse impacts, a self-funded plan.

**Richard Alderman**
Okay, thank you. And one last question, just in relation to the comments around rates and the onshore impairment of around DKK 1 billion. How do you think about that with the rest of your onshore business elsewhere in the world? Is there any further risk that we could see impairments there based on rate moves?

**Daniel Lerup**
The size of the onshore portfolio outside of the US is at a level where it's not anything meaningful, you should expect costs from that. But in principle, you could see an effect from rising interest rates also on the European onshore portfolio, but that would be to a very low amount.

**Richard Alderman**
Thanks.

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

**Peter Bisztyga**
Hi. Good morning. Apologies, I missed the beginning of the call. So you probably already answered this, but have you given an updated potential timeline for Sunrise Wind and Revolution Wind? Because you mention Ocean Wind is now 2026. And if you don't get the 40% ITC, I presume that means that Sunrise Wind and Ocean Wind can't make FID. Is that correct. So just first a clarification for stuff I might have missed.

And then just very quickly going back to this interest rate thing, given the volatility in US rates, are we now expected to see, every quarter, write-downs or write-ups of your offshore portfolio value, or is there a certain threshold beyond which you'll do it? So do we need to see a 50 bps move, or literally, now, is it every ten or 15 bps that we're going to see these changes? Thank you.

**Daniel Lerup**
Yes. So there is a high likelihood that you will, from quarter to quarter, see a swing on the impairment, dependent on how big the changes are in the interest rate. But remember that this is, of course, a portfolio of projects that we are now looking at, so they might be moving in different directions every time we do the full impairment assessment. But in principle, it is very much a mechanical adjustment that we would do as long as the projects are in impairment territory, based on what the spot rate is at the specific quarterly announcement.

**David Hardy**
Yes, and this is David. I can take the first two questions. The first one, if I understood it, was the timeline for COD for Revolution and Sunrise. It's our expectation that we can still maintain the current project schedules. As we talked about, the Charybdis vessel and the monopile foundation from Bladt could have an impact on both of those two projects.

But as we see it today, we're basically on track from a project schedule standpoint. It's just creating increased cost to try to maintain the project schedule, and we're compressing some of our float in our execution schedule. And so we wouldn't necessarily change the timeline. There could be minor impacts which flow through from a time value of money of the start of revenue, but in general, not significant moves.

And then on FID, I think it's a really good question. Obviously, we take the FID decision when we take it. And so going into those FID decisions, I think it will be what do the current business cases look like, especially in these cases from a forward IRR standpoint, what do the risks look like, and all the other factors that we take when we take an FID. We haven't taken FID on these three projects yet, so that will be still to come. But it's still our expectation, and we're still trying to achieve taking FID on these three projects by the end of this year or early next year.

**Peter Bisztyga**
Great. Thank you.

**Operator**
Thank you. Due to time, we'll take no further questions, so I'll hand back to Mads Nipper for any further remarks.

**Mads Nipper**
Yes. And I just want to thank you for your questions, and in a challenging situation. But thanks a lot for the dialogue and have a safe day.