Ørsted Q1 2023 Earnings Call
Transcription

3 May 2023

PRESENTATION

Operator

Welcome to this Ørsted interim report for the first quarter of 2023. For the first part of this call, all participants will be in listen only mode and afterwards there will be a question-and-answer session. Today's speakers are Group President and CEO Mads Nipper and CFO Daniel Lerup. Speakers, please begin.

Mads Nipper, CEO

Thank you very much and welcome to this call. I'm very pleased with the financial results of the first quarter. In the quarter, we realized all time high earnings from our Offshore sites and the Groups financial performance was in-line with our expectations. During the first quarter, we made good progress on our strategy. And, I will start with highlighting the final investment decision for our 920 MW Taiwanese project, Greater Changhua 2b & 4. I'm extremely proud of this achievement, which once again demonstrates the fact that Ørsted is primed and ready to build and operate large scale offshore wind projects in Taiwan. Our experience in Asia Pacific, combined with our technical expertise, financial capabilities and close collaboration with stakeholders, form a robust business case which will create long term value. The grid capacity of the project was awarded back in June 2018, in Taiwan's first competitive price- based auction with no mandatory local content requirements. We subsequently signed a long-term corporate power purchase agreement with TSMC, which is the largest ever contract of its kind in renewable energy. We expect to complete the project by the end of 2025 and will bring our installed capacity in Taiwan to almost 2 GWs of renewable capacity.

In the US, we submitted a joint proposal in response to Rhode Island's offshore wind solicitation, together with our partner Eversource. Our proposal reflects the current macroeconomic development and cost inflation and is linked to inflation. Our 884 MW Revolution Wind 2 project was the sole response to the solicitation, and we are currently awaiting the outcome of Rhode Island's evaluation, which is expected in June.

In March, our Scottish 100 MW floating offshore project, Salamander, won a floating wind lease. The project is a joint venture between Ørsted, Simply Blue Group and Subsea7, and is a tangible step to make floating wind a reality. The project will provide Scotland its supply chain with an early opportunity to speed up the commercialization of floating offshore wind ahead of the larger scale ScotWind build-out. Salamander is currently undergoing an environmental impact assessment and has a grid connection agreement with National Grid to enable the project to be delivered before 2030 and contribute to the UK's 5 GW floating wind target. This award comes a year after we successfully secured the 1 GW Stromar floating lease in the ScotWind leasing round and marks another major milestone in pursuit of our global floating wind strategy. Alongside our Stromar project, the pair form a complementary floating offshore wind development portfolio in Scotland.

Additionally, we have signed a memorandum of understanding with the infrastructure division of Acciona, who is a leading designer of innovative floating wind foundation and fabrication solutions. The aim of the strategic partnership is to take floating wind from the innovation to the industrialization stage. Last year we joined forces with Repsol to develop floating offshore wind projects in Spain and with Spain being a key market of interest to us, Ørsted intends to further grow our European floating pipeline. Advancing floating wind technology and bringing it to market is a key strategic aim for Ørsted's floating wind program and supply chain partnerships is the way to do just that.

In our US onshore business. We signed a 15-year corporate PPA with Google, who will offtake 150 MW renewable energy from the 268 MW onshore project, Helena. This agreement comes in addition to the corporate PPA we signed with Google on Borkum Riffgrund 3 Offshore Wind project in Germany.

In Ireland we acquired the 160 MW solar PV development project Garrenleen. This will be our second solar project in Ireland and the acquisition brings further momentum to our Irish onshore presence, which will bring total capacity to around 500 MW once commissioned. Over the last quarter, Europe has delivered on many of its promises from the "Fit-for-55" package, such as obligations imposed to the hard to electrify sectors through the introduction of binding targets for green hydrogen of 42% by 2030 in industry and transport through the "RED III", Renewable Energy Directive three, and mandates for e-fuels in shipping and aviation through FuelEU setting a target of 1-2% renewable fuels of non-biological origin in shipping by 2030. These and other targets commence already from 2025, stepping up to 2030 and beyond and provide the necessary clarity for us to continue to develop our European pipeline in the expectation of future offtake demand.

Finally, we submitted a bid for the Danish Energy Agency for our carbon capture and storage project, Kalundborg Hub. This project can capture approximately 400,000 tonnes of biogenic CO2 annually from our Asnæs and Avedøre CHP plants. If successful, the project will be a significant contribution to realizing the Danish state climate target for 2025 and 2030. The proposed project has a strong business case that will increase the value creation from our CHP plants and bring learnings that can be leveraged within our P2X development.

Moving to slide four and the outlook for offshore wind auctions in 2023. The cumulative European targets for offshore wind to be installed by 2030 has since September of 2021, increased from 58 GWs to close to 150 GWs. Looking further ahead, policymakers in Europe have acknowledged offshore wind as a key solution to reach net zero, as is also shown by several studies assessing the need to deliver 400 to 450 GWs by 2050. Back in April, I joined the meeting in Oostende in Belgium, together with heads of state and climate ministers from nine European North Sea countries, as well as CEOs from companies critical to the offshore wind industry. The ambitions for offshore wind build-out in the North Sea is now 130 GWs by 2030 and 300 GWs by 2050, which has the potential to make the North Sea the biggest green power plant in the world. Taken together, these targets offer an unprecedented growth and investment opportunity for the industry. But the path towards turning these ambitions into reality remain challenging and takes a never seen before collaboration between industry, organizations and governments.

Throughout 2023, we see numerous auctions and tenders across all three regions where we are present, adding up to more than 25 GWs. Denmark has dialled up their ambitions within offshore wind and has politically agreed to launch a solicitation of 9 GWs this year with the possibility of overplanting, as well as additional opportunities within the open-door regime. This is a very strong ambition and we very much welcome that Governments are tendering out as much capacity as possible as soon as possible. Unlocking market volumes and creating an enabling environment for offshore wind development can build confidence, help the industry overcome its investment impasse and enable the supply chain to invest in necessary manufacturing capacity. Based on the latest suggestion from the Danish government, they intend to work with the EU Commission on a modification of the open-door model, which will hopefully enable such projects to progress forward.

And, just yesterday, Massachusetts increased their ambition for the next offshore wind auction to up to 3.6 GWs from the previous RFP, which sought approximately 1.6 GWs. To account for challenges driven by inflation and other macroeconomic trends. The draft RFP allows bidders to submit an alternative indexed pricing proposal intended to reduce risk for bidders and ratepayers. In response to New York State's third round of offshore wind solicitations, we have submitted a proposal which includes multiple bids with different configurations. As mentioned earlier, we also submitted an 884 MW proposal to Rhode Island's offshore wind solicitation. And, for both auctions, we expect the outcome to be announced around summer.

Underpinned by strong offshore wind fundamentals and supported by the recent introduction of Australia's Offshore Electricity Infrastructure Act, Australia has kickstarted the road towards a long term and thriving offshore wind market. As the world's leading offshore wind developer, we have submitted feasibility license applications for seabed off Victoria, targeting areas which speak to our technical capabilities and expertise in delivering more GW class offshore wind farms than anyone else. We enter this market with the aim to help Australia unlock its potential for generating clean energy with a strong focus on economic and regional development. Working closely with government and local communities with whom we have been establishing meaningful relationships on the ground.

With our global presence, we are uniquely positioned to assess the opportunities across technologies in existing and new markets, while continuing our strong focus on value creation and financial discipline when bidding into auctions and tenders.

Let's turn to slide five, where I'll update you on our offshore projects under construction as well as our water pipeline. Our Greater Changhua 1 & 2a project is progressing according to plan, with 97 out of 111 turbines being installed and by now 25 of them fully commissioned. The cable and wind turbine scopes are progressing as planned, and we still expect to commission the wind farm in the second half of this year.

The construction of our Gode wind 3 and Borkum Riffgrund 3 offshore wind farms is progressing according to plan, and we expect commissioning in 2024 and 2025 respectively. At New York's first offshore wind farm, South Fork, the team has successfully installed the sea to shore transmission and begun laying the export cable. We have commenced offshore construction and the 130 MW project is expected to be commissioned second half of the year according to the original timeline. As mentioned earlier, we took final investment decision Greater Changhua 2b & 4 end of March. I'm very much looking forward to getting construction started and apply the learnings from our global EPC capabilities and not least the adjacent Greater Changhua 1 & 2a wind farms. The Taiwanese FID brings our total installed and under construction capacity to more than 20 GWs across technologies.

In our Onshore business, we are constructing the 201 MW Sunflower wind project along with our projects in Germany, France, Ireland the UK. Additionally, we are constructing the combined Solar PV and storage plant Eleven Mile, as well as a Solar farm, Mockingbird. We have had issues getting modules delivered for our solar project, Helena Energy Center, due to the UFLPA, Uyghur Forced Labour Protection Act detentions. Modules are in production and deliveries are scheduled to begin this month and continue throughout the year. And, as a result of these continued import challenges, we expect the project to be fully commissioned by 2024.

In the US, we are still awaiting final guidance from the Treasury Department on how to qualify for the domestic content credit that would raise the ITC value to 40%. While we can't predict precisely when it will be published, we know it's a priority for the White House and we hope to have more clarity in the coming weeks or maybe months. The state of Maryland recently passed the POWER Act, with Governor Moore signing the historical legislation at our very own inauguration event at Maryland's first offshore wind turbine component center at Tradepoint Atlantic. The bill will increase the state's offshore wind energy target from approximately 2 GWs to 8.5 GWs by 2031, and it aims to accelerate the build-out of the American offshore wind industry by unlocking the benefits of the IRA federal tax incentives to be used as intended by Congress. Specifically, the state of Maryland currently has an 80/20 requirement that allows 20% of the state and federal tax incentives to go to developers. The POWER Act establishes a process for developers to apply for a waiver through the PSC to retain the full value of IRA related tax incentives. We are encouraged by the actions from the State of Maryland, which are important steps to unlock the state's potential for offshore wind build-out. We believe it is encouraging to see the US states taking important steps to support offshore wind in the face of macroeconomic challenges.

In Poland, we have signed an agreement with Siemens Gamesa for the supply of 107 14 MW turbines for the Baltica 2 offshore wind project, with a total capacity of 1.5 GWs. By the time of commissioning, Baltica 2 will be Poland's largest ever renewable energy project and capable of producing enough green energy to cover the power consumption of 2.4 million Polish households. The wind farm is expected to commission by the end of 2027. Despite the macroeconomic challenges and general cost inflation, the project holds a strong value creation. The turbine signing marks an important milestone for the project that will be pioneering the offshore wind industry in Poland. I wish to thank our partner, PGE, and the Polish government for their support in making this possible.

In response to the current inflationary challenges, we decided to pursue a reconfiguration of the 1 GW Baltica 3 project, which was previously planned to be commissioned in 2026. Through the reconfiguration, we look to further improve the business case of the project through a reduction of the LCOE, Levelized Cost of Energy. By utilizing the flexibility of project delivery, we will, among others, revisit and optimize technology, installation methods, logistics and procurement for Baltica 3. And, subject to final investment decisions Ørsted and PGE, expect to complete the construction of the Baltica 3 no later than by the end of 2029, in accordance with the CfD contract. By that time, the joint 2.5 GWs offshore wind capacity from Baltica 2 and 3 offshore wind farms will contribute significantly to Poland's green energy transition.

With regards to Hornsea 3 in the UK, we remain firmly committed to doing all we can to reach final investment decision before year end. The project benefits from its size and its location east of Hornsea 1 and 2, and we are continuing to work on all the levers available to strengthen the value creation of the project with an aim to green light Hornsea 3 in 2023. And, with this, let me hand over the financials to you, Daniel.

Daniel Lerup, CFO

Thank you, Mads, and good afternoon, everyone. Let me start with slide six and the EBITDA for the first quarter of 2023.

For the group, we realized a total EBITDA of 6.9 billion DKK. I'm very pleased with the development in the earnings from our Offshore business that once again has become our key earnings driver and delivered record high quarterly earnings. Compared to Q1 2022 we did not have any gains from new partnerships. We also saw significantly lower energy prices in Q1 2023, leading to significantly lower earnings within our Bioenergy business. Let me walk you through the key developments in our EBITDA.

In Offshore, wind speeds were marginally below the normal level for the first quarter and below the level for Q1 last year, leading to a negative impact of around 0.3 billion DKK compared to last year. For the quarter, we had positive impact from hedges of 2.1 billion DKK. This was mainly driven by the negative effects from delayed ramp up at Hornsea 2 in Q1 2022, which amounted to 1.6 billion DKK and was not repeated for Q1 2023. Further, we saw a positive impact of 0.5 billion DKK from a partial reversal of the ineffective IFRS 9 hedges that had a negative impact in 2022.

For the remaining part of our offshore sites, earnings increased by 0.3 billion DKK, mainly due to ramp up generation from Hornsea 2 and Greater Changhua 1 & 2a. The earnings from ramp up generation increased 0.8 billion DKK and were partly offset by a negative impact from our merchant exposure. After having lowered our hedge ratios for Q1 2023 at a time when prices were higher than the realized levels in the quarter. The subsequent decline in power prices led to a negative earnings impact of around 0.5 billion DKK. We did not realize any material earnings from existing partnerships during the quarter. Last year, we realized 1.1 billion DKK primarily related to earnings from the construction progress at Greater Changhua 1 and the partial reversal of the cable protection system provision booked in 2021.

Turning to Onshore where earnings were in line with Q1 2022. Compared to last year, we have expanded our operating portfolio, leading to an increase in power generation of 17%. However, the higher generation was offset by lower power prices. In Bioenergy & Other, earnings decreased by 2 billion DKK compared to last year. The decrease was expected and was driven by the significantly lower power prices and less volatility in the gas price during the first quarter of 2023 compared to last year.

Let's continue to slide seven.

For Q1 2023, net profit totalled 3.2 billion DKK. Compared to Q1 2022, we did not complete any farm-downs and besides the lower EBITDA, we saw higher depreciation due to more assets in operation and higher financial expenses driven by negative impact from exchange rate adjustments and higher interest expenses on loans.

Our Return on Capital Employed came in at 13.8%, which was a decrease compared to last year, driven by a lower EBIT over the 12 month period and higher capital employed. However, we remain on track to deliver on our long term financial guidance of achieving average Return on Capital Employed of 11-12% towards 2027. Throughout the first quarter of 2023, we saw a further increase in our equity, ending the quarter at 102.8 billion DKK. The increase was driven by a combination of hedges going into delivery as well as the lower power prices.

Let's turn to slide eight and our net interest bearing debt and credit metric.

Net debt amounted to 35.3 billion DKK, an increase of 4.7 billion DKK during the quarter. Our cash flow from operating activities was positively impacted by EBITDA and a net cash inflow from collateral postings amounted to 3.3 billion DKK, which was driven by the reduction in forward power prices. By the end of the first quarter, we had posted a total of 9.6 billion DKK in collateral payments related to our energy hedges. Based on the current forward curves, we expect around 4 billion DKK of collateral to unwind by the end of 2023. For the quarter, our gross investments totalled 8.8 billion DKK, primarily driven by our investments into construction of renewable projects. In addition, we paid out dividend of 5.7 billion DKK to our shareholders relating to the financial year of 2022.

Our key metric FFO to Adjusted net debt stood at 37%. The level was in line with last year as the higher net debt was offset by higher FFO for the 12 month period. Our increasing operational earnings from the renewable build-out as well as funds from our partnership model will support the capital requirements in the coming years and we remain committed to our targeted FFO to adjusted net debt of 25%.

Turning to slide nine and our non-financial ratios.

For the first quarter of 2023, our taxonomy eligible metrics are in line with expectations. Green share of energy came in at 89% compared to 92% last year. The development was primarily due to the temporary increase in use of coal at Studstrup Power Station after a fire in the wood pellet silo in September last year. However, a strong effort from our colleagues in Bioenergy has enabled that we, since April, have resumed the sustainable biomass based generation for most hours of the day.

On safety, we regrettably do not see a performance which lives up to our expected standards at this time of the year. We have seen more recordable injuries with our contractors, partly offset by a minor reduction in recordable injuries for our own employees. We continuously work to improve and promote our culture of safety. We have implemented several initiatives, such as increased leadership involvement, safety stand downs and targeted safety campaigns on specific issues.

Finally, let's turn to slide ten and our outlook for 2023. With financials in the first quarter developing in line with our expectations, we reiterate our full year EBITDA guidance of 20 to 23 billion DKK for 2023, as well as our gross investment guidance of 50 to 54 billion DKK.

Before we open up for questions, let me quickly go to slide 11. I'm happy to share that registration for our Capital Markets Day has now opened. Since our last CMD two years ago, there have been numerous significant developments, including fundamental changes to the energy market, challenging macroeconomic and inflationary development, and an unprecedented political tailwind for the green transition. Therefore, we want to take the opportunity on June 8th to give a strategic update on our business development and financial targets. Additionally, you will have the opportunity to meet new members of the Group Executive Team. With that, we'll now open for questions. Operator, please.

Q&A

Operator

Thank you. This concludes the presentation, and we will now open up for questions. This call will have to end no later than 3:30. Please respect only one question per participant and then you can re-enter the queue for another question. To ask a question, please press five star on your telephone keypad. To withdraw a question, please press five star again. We'll have a brief pause while questions are being registered. The first question will be from the line of Kristian Johansen from SEB. Please go ahead. Your line will be unmuted.

Kristian Johansen, SEB
Yes, Thank you. So, my question is regarding the US business and the tax credit you talked about and are you waiting for the guidance on the domestic content? As I understand it, we do have the guidance on the energy communities' part where if you have an offshore wind project, the onshore converter station needs to be located in energy communities. So, simply curious if you can share any light on your US portfolio and whether there is any option to capture this additional 10% related to the energy communities for any of your project?

Mads Nipper, CEO
Thanks a lot, Kristian. And, yes, you're absolutely right that the guidance on energy communities from the Treasury has come out and we are actively looking into that, to see if any of our projects can qualify for that, and that needs to be a quite thorough assessment. So, we are not ready to share specifically as to whether any of them can be. But we are we are working on it and hope to be able to share that soon.

Kristian Johansson, SEB
Thank you.

Operator
The next question will be from the line of Alberto Gandolfi from Goldman Sachs. Please go ahead. Your line will be unmuted.

Alberto Gandolfi, Goldman Sachs
Thank you and good afternoon. Also sticking to one. I hope I'm not repeating too much of the first question. The line on my end was quite disturbed. I believe it's not, so I wanted to go back, please, if you don't mind going to slide five. Looking particularly on the right hand side, what is not under construction yet. You know, if we exclude Sunrise, for which you already took an impairment, would it be possible to tell us roughly what share of these projects is within 150-300 basis point IRR minus WACC today? And what share of these projects would be within 150-300 basis points? If you start to receive extra investment tax credits like the proposal from Maryland. If you can shed some light on it, that would be awesome. So, this is my question. I hope you don't mind me pointing out an observation which is really a bit unconventional, but I just wanted to point out on page eight, you seem to be quite well ahead on your FFO to net debt threshold. I'm not saying put to bed, but just point out, you know, quite a widespread conversation out there regarding you potential needing for a capital injection. But again, my question was the first one. Thank you so much.

Mads Nipper, CEO
Yes. Thank you very much, Alberto. And we cannot share specifically where these different projects are placed. But what we said at the last quarter is that these projects are generally not meeting our return guidance. We do still see that the near term US offshore portfolio which is essentially the Northeast cluster and Ocean Wind 1, are still value creating as a portfolio on a life cycle basis and that all the projects are positive on a forward looking basis. That is as close as we can get it.

Daniel Lerup, CFO

Just on the capital structure point, I very much agree. We have a nice headroom in our capital structure compared to our target. So, we are in a very good position to deliver on our ambitions of the roughly 50 gigawatts of installed capacity in 2030 in without having to raise additional equity. So, it's a self-funded scenario.

Alberto Gandolfi, Goldman Sachs

Thank you so much.

Operator

Thank you, Alberto. The next question will be from the line of Peter Bisztyga from Bank of America. Please go ahead. Your line now will be unmuted.

Peter Bisztyga, Bank of America

Hi. Thanks for taking my question. So, on the US, my understanding is that New York have asked participants to resubmit bids to reflect the benefits from the Inflation Reduction Act. So, I'm wondering, do you plan to do that? And do you see a risk that the Rhode Island auction is cancelled or that they ask you to resubmit your bid there, too? Thank you.

Mads Nipper, CEO

I unfortunately only heard the last part of your question, Peter. Did you hear Daniel?

Daniel Lerup, CFO

Yes. So, on New York, it is correct that some of the other bidders had to resubmit as their bids were non-compliant. And, our understanding is more that it's relating to the local content requirements and not so much how they've looked at the tax credits.

Mads Nipper, CEO

And on the Rhode Island bid. As we said, we are the only bidder. We hope and believe, of course, that we will be awarded the project. But at this point, we are not guessing as to whether there is a risk to for that to be resolicited because they want more bidders. But we are hopeful and believe there's a good chance that we could be awarded.

Peter Bisztyga, Bank of America

Okay, thank you. So, just to clarify, on New York, so your bid was compliant and there's no need for you to resubmit, is that correct?

Mads Nipper, CEO

Correct.

Peter Bisztyga, Bank of America

Great. Thank you.

Operator
Thank you, Peter. As a reminder, please press five star on your telephone keypad to ask a question. The next question will be from the line of Casper Blom from Danske Bank. Please go ahead. Your line will be unmuted.

Casper Blom, Danske Bank
Thank you very much. Following up a bit on Rhode Island. I was hoping if you could talk a little more broadly about the competitive situation right now. I think we have seen some other developers also complaining a bit about the profitability in certain projects. You've also been hit obviously in the US. but what are you seeing right now on the competitive scene? Are we there now where competition is starting to be a little bit more selective and where hopefully this race to the bottom is starting to end? Thank you.

Mads Nipper, CEO
Yeah. Thanks a lot, Casper. We believe that generally we are operating in an industry which is clearly realizing that the conditions have changed both in terms of cost of capital and the Capex inflation. As we reiterated when I talked briefly about the bids we've submitted in New York and Rhode Island, those bids, and the price levels we have submitted clearly take into consideration the new conditions. There has been some recent conventions both in Belgium and the Wind Europe. In Copenhagen, we hear the industry voicing that there is clearly a need for this industry to create sustained value. And we believe we hear that quite consistently. So we remain optimistic that we even though competition will surely continue to be there and be intense, that there is a general realization that it needs to be financially sane, which is another way of saying that the competition on price will have a good chance of avoiding that race to the bottom.

Daniel Lerup, CFO
And maybe I can add. So, it is our clear expectation that we will see prices go up in the coming auctions. And, on top of that, we are also seeing a quite significant increase of capacity being auctioned out in the upcoming auctions across our key markets in Europe and the US, meaning that this should, of course also ease some of the competitive tension.

Casper Blom, Danske Bank
Thank you very much. Fingers crossed for that.

Operator
Thank you, Casper. The next question will be from the line of Harry Wyburd from Exane. Please go ahead. Your line will be unmuted.

Harry Wyburd, Exane
Hi, everyone. Thanks for taking my questions. On write-downs, can I ask, did you do an impairment test at the first quarter? And if not, when would the next impairment test be? And looking at the various moving parts on impairment tests, obviously rates have been quite volatile, power prices have moved down since you reported full year results. I guess you've had the news in Maryland. Can you just discuss a little bit about how the inputs into your impairment calculations have moved since you last updated us? Thank you very much.

Daniel Lerup, CFO
So, we do an impairment test every quarter. So, we have updated all of the relevant business cases with the most up to date input parameters on cost, rates, inflation and so on, and we don't see an impairment issue.

Harry Wyburd, Exane
Okay. Thank you. Any chance you could give us some directional view on where things have moved to the power prices, for instance.

Daniel Lerup, CFO
It is too specific and parameters that we are using in our bids.

Harry Wyburd, Exane
Okay. Fair enough. Thank you.

Operator
Thank you, Harry. The next question will be from the line of Lars Heindorff from Nordea. Please go ahead. Your line will be unmuted.

Lars Heindorff, Nordea
Thank you for taking my question. Also, regarding the US. I think you had around about 68 billion of US assets by the end of last year. I assume that most of those are related to the onshore parks that you have. I don't know if you can give us a split between how much of that intangible and tangible assets are related to offshore and how much is related to onshore. Just to give a sense for how much Capex you have deployed into those projects that you are in the process of developing.

Daniel Lerup, CFO
I cannot give you a specific split, but the vast majority comes from our onshore business of the capital that that we have deployed.

Lars Heindorff, Nordea
Okay. Thank you.

Operator:
Thank you, Lars. The next question will be from the line of Sam Arie from UBS. Please go ahead. Your line will now be unmuted.

Sam Arie, UBS
Hi. Hello, everyone. Thanks as always for the presentation. Maybe I could just ask a question about the CMD event coming up. I'm not expecting you to kind of reveal the headlines at this point. But I suppose in past CMDs, there's been a lot of focus on your sort of mid-term targets and the total megawatts or gigawatts to be built. It feels to me at this point that probably raising the gigawatt target is probably not where your heads are, and so the CMD might focus more naturally on profitability, return expectations, funding and so on. Is that a good expectation to have for the event or can you give us any more flavour about what you're going to share with us, if not the actual headlines at this stage? Thank you.

Mads Nipper, CEO

Yes, thanks. It's hard to answer without starting to go into the expected CMD content. Let me just say that there's no doubt that the current market circumstances put a lot of focus on value creation, which we will ensure to address at the CMD.

Daniel Lerup, CFO

I think it's a misconception that we've ever been driven by just having high gigawatt numbers out there. We've always been a financially disciplined company and we also set quite high return expectations for the projects that we bid into with quite conservative assumptions and a conservative spread-to-WACC. So, we have always liked to talk about value creation.

Sam Arie, UBS

Okay, very clear. I mean, maybe if you forgive me, just a short follow up, is it also safe to assume that the CMD will really be setting out continuity of strategy and you'll be filling in gaps for us and helping us understand how you make the projects profitable and so on? Or is there any sort of big strategic questions that you're planning to tackle at the event?

Mads Nipper, CEO

I think we'd rather hold that suspense until June 8th, Sam.

Sam Arie, UBS

Okay. All right. Fair enough. Well, thank you very much. Appreciate the answers.

Operator

Thank you, Sam. The next question will be from the line of Deepa Venkateswaran from Bernstein. Please go ahead. Your line will be unmuted.

Deepa Venkateswaran, Bernstein

Thank you for my question and thanks for actually answering the previous question on the CMD. So, my question was actually on Hornsea 3. I think Daniel earlier you spoke to journalists, and you commented that AR5 is looking very challenging, but obviously you've still stated on that call. And, I think, Mads, you repeated on this call that you're looking to work on the FID for Hornsea 3, where obviously the strike price was also low. So, is there a disconnect here or is the size and scale of Hornsea 3 as well as any cost you've already locked in may be the difference? Could you just elaborate a bit on your thinking here?

Daniel Lerup, CFO

Maybe I can answer the first point. So, my point when talking with the journalists earlier is that we keep seeing delays in the permits of our UK projects. We've seen it on Hornsea 3 previously and now we're also seeing it on Hornsea 4, which is of course a challenge with these very big projects. And, we are also seeing a very low administrative strike price in the next auction round, again with a price going down, not taking into consideration the environment that we are in. So, we are of course hoping that there will be a better recognition of the environment that we are in so that we can meet the fair and meaningful return thresholds that we are looking for. And, then maybe if you could repeat the question Hornsea 3.

Deepa Venkateswaran, Bernstein

Yeah, I was just wondering because the administrative strike price for AR5 at 44 is higher than what you got for Hornsea 3. So, when you're saying that you're working towards the FID I just wanted to address that disconnect between your comments on the low strike price for AR5 versus the Hornsea 3 FID, and does the scale and the siting of this project or anything else make a difference?

Mads Nipper, CEO

I mean, we can certainly comment on that. We generally believe that what has happened in the industry now means that there is an increase in the LCOE which means that an administrative strike price of 44 is something that we think is not sustainable. The scale of Hornsea 3, combined with the synergies we have, combined with the levers that we continue to work on towards an FID is something that that we remain committed to working on. For the sake of clarity, we are not participating in AR5, but for future solicitations, we are saying that so clearly because we believe the British government needs to realize that the administrative strike price must go up. But we continue to work towards an FID, but we will only take that FID for Hornsea 3 if we end up feeling comfortable with the value creation.

Deepa Venkateswaran, Bernstein

Okay. Thank you.

Operator

Thank you, Deepa. The next question will be from the line of Rob Pulleyn from Morgan Stanley. Please go ahead. Your line will be unmuted.

Rob Pulleyn, Morgan Stanley

Hey, thank you. Good afternoon, everyone. A quick question on portfolio benefit of not only the rising value of flexible generation, I see the CHP plants also perform quite well again in the quarter. But also, maybe if you could talk about how you think between offshore, onshore and thermal given I think 99% of the focus here is on offshore. Onshore is, of course, a quicker lead time to cash delivery. And the thermal business has actually performed very well. You know, of course, consistent with what many of your peers have done as well. If you could maybe shed a little bit light about the portfolio between the three divisions, just for the sake of variety and not to pre-empt the CMD too much, that would be appreciated. Thank you.

Daniel Lerup, CFO

Yeah. We are, of course, in a situation now where we are seeing that the earnings mix across our business is much more in line with our expectations, having offshore representing roughly 80% of our earnings. And that was of course a different picture last year given the very big volatility and very high power prices benefiting our Danish CHPs and the gas business. I think going forward it will be more a matter of the growth expectations within both the offshore and the onshore business. And, as you know, we are not investing more into biomass. So, power prices will be the key determining factor for how the earnings will develop in our Danish CHPs.

Mads Nipper, CEO

And if I can briefly add, Rob. What we saw last year was obviously that in light of the challenges we ran into with our risk management approach, the CHPs and our gas business fully compensated for that, which turned out to be sort of a very natural hedge. We continue to see that PPA levels, and now with the PTC extension in the US for onshore, makes that a stable and predictable income and attractive spreads. And, at the same time now that we are seeing that as the predictability of our offshore business which in first quarter was exactly as we had hoped and wanted it to be, that we are returning to that predictability. We actually think that now, with also a lower hedge level, then volatile power prices can be an additional upside in our power plants. Whereas last year they presented an equal downside due to their very high hedge levels. But as they work down, volatile and increasing power prices will present a net upside. So, that's an additional flavour to what Daniel said.

Rob Pulleyn, Morgan Stanley
Thanks very much. I'll turn it over.

Operator
Thank you, Rob. The next question will be from the line of Mark Freshney from Credit Suisse. Please go ahead. Your line will be unmuted.

Mark Freshney, Credit Suisse
Hello. Thank you for taking my question. Just on the remaining farm-downs to be done, which is Hornsea 3, New Jersey and Taiwan, and I think there's a couple of blocks in Taiwan. Can you talk about the potential phasing of when those farm-downs may occur? And further to that, you know, one thing is the return that you're prepared to take on new projects when you FID and when you put it through your investment committee. But the other side is what some of your partners are prepared to take, which I believe has historically been some way lower. Can we expect those farm-downs to generate large gains? Thank you.

Daniel Lerup, CFO
Thank you, Mark. And, we are still very confident in our farm-down model. It has served us well for more than a decade, and we continue to see it as a key source of funding and unlocking of value going forward. And, we are usually active in the market with a number of farm-downs at the same time. And, we are also in the market right now with a couple and we see good interest and we feel confident that we will get a price for the farm-downs that is in line with what we have seen historically of an NPV retention of around 100%. So, you should definitely expect gains from farm-downs also going forward.

Mark Freshney, Credit Suisse
And just on that, you said you're in the market with a couple. Presumably, that would be Gode Wind 3 & 4 and Greater Changhua and when would we be able to expect that to be announced, this year at some point?

Daniel Lerup, CFO
I don't want to comment on the timing on such transactions. That can, of course, be a bit uncertain. But you are right. We are focusing on our Taiwanese and German projects, and we are also looking into some of our onshore assets in the US. As you might remember, we did a successful farm-down last year of a portfolio of US onshore projects, where we also got an NPV retention of roughly 100%. So, we are looking into continuing that farm-down model also for the onshore business. So, quite a lot of activity and good indications from the market.

Mark Freshny, Credit Suisse
Thank you.

Operator
Thank you, Mark. The next question will be from the line of Dominic Nash from Barclays. Please go ahead. Your line will be unmuted.

Dominic Nash, Barclays
Good afternoon. A question from me, please, on both the Hornsea 3 and the US wind farms. In the worst case situation where the returns do fall below the returns that you would like to have, what are the implications and what ramifications are there if you were to actually walk away or try to renege on the existing contract and try to get them sort of rebid into future contracts? What's the actual impact on you for doing that? Please? Thank you.

Mads Nipper, CEO
Yes, I think I mean, just reiterate that, that if we do not see value creation being satisfactory, we will do something. We are prepared to take a different path. That is very important to underline. And, in the case of the UK, for example, if we pass back the CfD, we would be prohibited from participating in the first coming auction round. But after that we could re-enter with that same capacity again. So, other than that, it would be the project specific breakaway costs that we would essentially have and that would vary project by project. But it's obviously something we clearly take into consideration. And, when we sign contracts, many of those would be made dependent on FID.

Dominic Nash, Barclays
Do we have what the break free for Hornsea 3 actually is at all? Please?

Mads Nipper, CEO
We can't share that specifically.

Dominic Nash, Barclays
Okay. Thank you.

Operator
Thank you, Dominic. The next question will be from the line of David Paz from Wolfe Research. Please go ahead. Your line will be unmuted.

David Paz, Wolfe Research
Hello. Just a question the US. What is the overall status of the longer dated projects in the Northeast and mid-Atlantic clusters, including any discussions in New Jersey or elsewhere on sharing incremental IRA tax benefits?

Mads Nipper, CEO
Yes, Thank you. To reiterate, as what I believe it's already known, is that our commitment profiles for these longer dated projects such as our Skipjack projects and the Ocean Wind 2 are obviously much less than any of the existing. And, we also still retain a good flexibility on the timing of the projects. So, that puts us in a much more manageable position. And, you're right, I mean, there's ongoing dialogue with different states, including New Jersey, and we hope

and believe there's a good chance that New Jersey might take inspiration from what has very recently happened in Maryland, where there is now an opportunity to apply for the full pass back.

David Paz, Wolfe Research

Got it. And, just when you say on a life cycle basis that the US projects are value creative. Are you assuming any of these incremental potential incremental tax benefits or any scale synergies from winning future US projects or any other assumptions that go into that determination?

Mads Nipper, CEO

Yes. We are assuming the majority of the local content credit, because we continue to believe that we are strongly positioned to be a beneficiary of that. That is something we have reason to believe is a fair assumption.

Mads Nipper, CEO

For the sake of clarity, we have not factored in anything on the energy community credit, which was one of the previous questions.

David Paz, Wolfe Research

Right. Okay. Thank you.

Operator

Thank you, David. The next question will be from the line of Louis Boujard from Oddo-BHF. Please go ahead. Your line will be unmuted.

Louis Boujard, Oddo-BHF

Yes, Good afternoon. Thank you for taking my question. My question would be more related to the open door system in Denmark. For the time being, I think you are still in a pending mode. And, on this topic, could you enlighten us in what is at stake and where eventually you could have more granularity on this topic and if it could come back relatively in the short term, since I think that some projects have been awarded and have been confirmed recently.

Mads Nipper, CEO

Happy to comment on that. We actually had the privilege of being with the Danish government very recently at what was called the Marienborg Green Meeting, where Denmark also announced the 9 gigawatts solicitation. Our prime minister even publicly said that they were optimistic to find a way where the open door projects that were paused a few months ago, due to EU competition concerns, that they were optimistic that at least for part of those, that a solution could be found where some of them could be made into reality. The projects that we have together with CIP are amongst. I mean, we in principle have some that are on the West Coast and in the Baltic Sea of Denmark. And, that means that we believe there is a good chance that one or more of those could be restarted in a not too distant future. We don't have a specific timeline.

Louis Bujan, Oddo-BHF

Thank you very much.

Operator

Thank you, Louis. The next question will be from the line of Klaus Kehl from Nykredit. Please go ahead. Your line will be unmuted.

Klaus Kehl, Nykredit

Yeah. Hello. Kind of a household question. Could you talk a little bit about what's going on below the EBITDA line? And what I'm thinking about is that we're seeing very high net financials here in Q1, and at the same time a very low tax rate. And, if possible, in this context, just give us any kind of input for what would be a reasonable tax rate for the full year now? That would be my question. Thank you.

Daniel Lerup, CFO

Yeah. So, that's correct. We've seen the net interest expense go up. The main driver for that is actually due to FX adjustments between liquidity we have in GBP and USD in our subsidiaries. It's not something that will impact net debt, but it's due to different accounting treatment in the subsidiaries and on the group level. And, then we are, of course, also seeing higher interest expenses as rates are going up. And, our debt is of course also increasing somewhat. But the main driver is the FX. On the tax side, it's a bit accounting technical, but the key effect here skewing the picture a bit is that we, as you know, have bought back the 25% share of Ocean Wind 1 from PSEG. And, that means that we will have to reverse the treatment of the deferred tax liability into the PnL. And, then when you have a new tax equity partner stepping in, you will have a move in the opposite direction. But happy to set up a call to explain that to you in more details. But unfortunately, that's a little bit of a funny picture you see when you have these projects going in and out of tax equity partnership. And, when it comes to the tax rate, you know, you should expect something that is fairly close to the statutory tax rate in some of our key markets being Denmark, Germany and the UK.

Klaus Kehl, Nykredit

Okay. Thank you very much.

Operator

Thank you, Klaus. As a reminder, please press five star to ask a question. The next question will be a follow up from the line of Kristian Johansen from SEB. Please go ahead. Your line will be unmuted.

Kristian Johansen, SEB

Yes. Thank you for taking my follow up. Just some clarification around your comments on the Baltica 3 project where you elaborated on the reconfiguration. So, as I recall it, and obviously correct me if that's wrong, the PPA in Poland for Baltica 2 & 3 were constructed in a way, so it's not so much a guaranteed, fixed PPA level, but actually rather sort of a guaranteed return you receive to these projects, which bothers me a bit, why you then need to reconfigure the project. So, can you please elaborate a bit on how the PPA is structured.

Mads Nipper, CEO

Thank you, Kristian. No, it's actually not correct that's a return guarantee. It is actually a CfD with a price level that is now fixed. And, there were some regulatory levers that have been supported by the Polish government. I mean the project is one that has not quite as great wind conditions as Baltica 2. And, therefore, even though we have often talked about Baltica 2 and 3 as just one project, they are in reality two projects. And, we found that Baltica

3 was not within a return level, that with that CfD price that we felt comfortable with. So, we are reconfiguring that project and cancelling supplier contracts for now to retender in order to get to an acceptable return level. So, that is an example of us being prepared to take difficult decisions in order to defend the value creation that we want to go for.

Kristian Johansen, SEB
And does Baltica 2 & 3 have the same CfD level, and have you disclosed exactly what the CfD level is?

Mads Nipper, CEO
Same. I don't know if we've disclosed that. I just hear now that it is 319.6 Zloty. That is the CfD level.

Kristian Johansson, SEB
For both projects?

Mads Nipper, CEO
Correct.

Daniel Lerup, CFO
With inflation adjustment.

Mads Nipper, CEO
That's an important addition.

Operator
Thank you, Kristian. The next question will be from the line of James Brand from Deutsche Bank. Please go ahead. Your line will be unmuted.

James Brand, Deutsche Bank
Hi, good afternoon and thank you for taking my question. You mentioned in your remarks that the RFP for, I think it was Massachusetts, allowed companies to submit alternative index linked bid proposals rather than just a fixed price. I was just wondering whether you could explain a little bit more how that works. Do you have prescribed areas where you can include index linked elements of the proposal or it's totally up to you? And is it clear how the proposals will be judged if everyone's doing their own thing? Thanks.

Daniel Lerup, CFO
Thank you for the question. So, the RFP on Massachusetts has just come out. So, we of course, need to take a closer look at that in order to fully understand how it works in Massachusetts. But I think it's important to say that it's within inflation indexation. And, I assume that they are being inspired by what we've seen in Rhode Island and New York, where you have the possibility to bid in both with a nominal price and a price where you get an inflation protection in the period from when you get the award until you COD the wind farm. So, basically in the construction period, you get an inflation coverage for that impact during the Capex phase. And, then you get a top up to the PPA if inflation has outpaced the original assumptions.

James Brand, Deutsche Bank
Okay. Thank you very much.

Operator
Thank you, James. The next question will be from the line of Firmino Morgado from Man Group. Please go ahead. Your line will be unmuted.

Firmino Morgado, Man Group
Hey, guys. I basically want to ask a question. You know, the two big issues that are affecting, you know, your industry, which is cost of capital and the cost inflation. On the cost of capital, my question is that, I mean, do you expect any subsidies coming from both the EU and the US in order to lower the cost of capital? And on the cost inflation, I mean, I was last week in Denmark and a lot of parts, you know, they were referring that actually through design or through procurement, you know, they are able to lower the cost going forward wider with bigger size in terms of the turbines or even, you know, the bottleneck taking some of the parts of the value chain. I mean, on your conversation with your suppliers, where do you see the roadmap of that levelized cost of energy on the offshore going forward?

Mads Nipper, CEO
Yes. Thank you very much. We don't think there will be targeted subsidies for cost of capital, but we remain very confident that both as we've seen in the US with tax credits, both ITC for offshore and PTC for hydrogen and for onshore, that there will be an increasing realization and political willingness to support specifically the acceleration of an industry. And, that is something that is needed to kickstart industries. But at the same time, the even more important thing is that there is a willingness, especially in offshore with state and country government auctions, that there is a preparedness that the long term power prices will need to go up, at least some. You are absolutely right that we have dialogues with pretty much every one of our strategic suppliers and partners to say how can we contain inflation. Some of it is driven by input costs that come as a general sort of result of their sub suppliers. But some of it is also a result of the bottlenecks that we currently see. So, what we are doing essentially because we are in a unique position to do that due to our size and the scope of things we need to do, is to say what can we do to enable further, for example, FIDs on vessels? How can we give long term commitments through framework agreements that will enable them to also have more predictable costs? So, we are doing that on behalf of the industry. But for pretty much every one of our major Capex groups, we are having those discussions. And, I even at Wind Europe last week, I personally met the CEOs of several of our top tier suppliers to discuss exactly that topic. So, we are confident that we will get on a journey where we can, again, get scale benefits and the capacity to support a downward curve or a downward trend on LCOE. But due to the inflation level we have seen in cost of capital, it needs to go up before it can go down again.

Operator
Thank you, Firmino. The next question will be a follow up from the line of Casper Blom from Danske Bank. Please go ahead. Your line will be unmuted.

Casper Blom, Danske Bank
Thanks a lot. Just a follow up to the previous discussion regarding a potential farm-down in Taiwan. If and when that may happen, should we then think of something that would be similar to the first Taiwanese farm-down, i.e.

where you would first have to farm-down Greater Changhua 4 and then later on could maybe do something on the combination of 2a and 2b. Just sort of if you could talk a little bit about that mix of these three projects which are kind of grouped in two. Thanks.

Daniel Lerup, CFO
Yes, that is correct. So, the main focus to begin with is on Changhua 4 and then the remaining afterwards.

Casper Blom, Danske Bank
Very clear. Thanks, Daniel.

Operator
Thank you, Casper. The next question will be a follow up from the line of Deepa Venkateswaran from Bernstein. Please go ahead. Your line will be unmuted.

Deepa Venkateswaran, Bernstein
Hi. Thanks for taking my follow up question. I wanted to ask about the US projects. When would you be expecting to take FID? Is it the clarifications from the Treasury and the discussions? Like what is the timing? And I just wanted to get a sense that by the CMD, do you think you may have taken some FIDs or along with Hornsea, see these FIDs and therefore any scope for impairments or otherwise are still open by the time we get to the CMD?

Mads Nipper, CEO
Thank you, Deepa. We will definitely need to see the Treasury guidance on the domestic content credit before we can take FID. We cannot say whether that will be fully enough to take those FIDs because again, we need to assess the totality of the project in order for those to be sort of defensible investments. But we will definitely need that and including the clarity on the energy community feasibility for any of our projects. But there could be other things such as upcoming sort of discussions or regulatory clarification, for example, on allowing full pass back of the benefits that we might want to await. So, not possible to say whether we'd be able to do that by the CMD, unfortunately.

Deepa Venkateswaran, Bernstein
Okay. And, will you know Rhode Island the New York solicitation by the CMD or that's not clear.

Mads Nipper, CEO
We would hope to. But the indication is in June and since the CMD is on June 8th, it's probably not the most likely scenario.

Deepa Venkateswaran, Bernstein
Okay, cool. Thank you.

Operator
Thank you, Deepa. The next question will be a follow up from the line of Lars Heindorff from Nordea. Please go ahead. Your line will be unmuted. Thank you.

Lars Heindorff, Nordea

Thank you. Now, there's been a lot of questions about the return and the balance between the higher cost and Capex and so forth on this call here. I don't, again, want to pre-empt your Capital Markets Day on 8th June, but I don't know if you can share a bit of thoughts on your longer term EBITDA targets. If I recall correctly, it's around about 35 to 40 billion by '27. I mean, are you able to reach that with lower growth, i.e., growth below the 3 gigawatts that you've been mentioning that you can add on a yearly basis, or I mean, power prices are still higher compared to pre-pandemic levels. So, maybe a bit of thoughts and light on the balance between the target and if you can reach that with lower growth.

Daniel Lerup, CFO

Yeah. So, again, I'm not going to give specific targets here because we will of course, do that at the Capital Markets Day. But you are right. We are looking into a higher growth than what we originally anticipated when we had the CMD back in 2021. And, we also mentioned that in connection with Q4 that we are seeing the EBITDA CAGR going above the roughly 12% that we've indicated. And, we also see our ROCE well ahead the 11 to 12% for the same period towards 2027. And, we will also be able to reach that even though we don't get roughly 3 gigawatts a year, which is of course not the expectation, but things we win in the coming years will most likely be in the period post 2027. So, we have a fairly high certainty on the growth and return towards 2027.

Lars Heindorff, Nordea

All right. Thank you.

Operator

Thank you, Lars. The next question will be a follow up from the line of Sam Aire from UBS. Please go ahead. Your line will be unmuted.

Sam Arie, UBS

Hi again, everyone. I wanted to just come back on, I guess I'm sort of probably quite near the end of the question queue here, but with a topic that's come up since we last spoke to you and I should say is absolutely clearly not an Orsted specific topic, but one that we might need to get our heads around in the industry. But there has been this piece of research that suggested vessels were identified in the North Sea. Mapping out the location of underwater pipes and cables, including, I assume you know, offshore wind farm transmission connections. And, I just wondered if you could talk to us a little bit about this issue. It must be one that you've put a bit of time thinking about. I know that in the UK, you know, the transmission connection doesn't necessarily belong to you after the asset is commissioned. But if there were to be any kind of incident on a transmission cable like, you know, the Nord Stream incidents that we saw last year and never mind who did it, but if there was an incident like that and you couldn't get power out from the wind farm back on shore, where would that leave you? What's the situation? Who's liable? Can you get insurance? Are all insurances excluded for that kind of event? It's obviously a hopefully a very low probability scenario I'm talking about, but it is a big story in the news, and I thought it'd be great to hear what you guys think about that and how we should understand the risks.

Mads Nipper, CEO

We can give an overall comment on that, Sam. It's very important to say that the offshore wind farms are within sort of territorial waters, which is a totally different thing than what happened with, for example, with Nord Stream

2. Protecting those is a matter of national security. And, if an attack would happen on any of that it would essentially be attack on a NATO country. So, we fully agree that it would be a very low likelihood. We are working closely with the relevant national authorities in all areas where we operate. And, we are working with them to ensure that all necessary measures are taken. We can't comment specifically on what are the ifs and buts if something, God forbid, should happen.

Sam Arie, UBS
Okay. I know it's a really difficult topic since you gave a very short answer. Can I just squeeze in a quick clarification an answer you gave to an earlier question? I'll make it very fast. But you mentioned that if you walked away from Hornsea 3, you might be banned from participating in the next auction. But I think you also said you're not participating in the next UK auction anyway. So, would that mean there's no real consequence for you, or would you be banned from participating in the next one after this as well? Thank you.

Mads Nipper, CEO
As a matter of fact, I would be unsure now since the AR5 has been kicked off, whether we would also be banned from AR6. Since the UK has very frequent solicitations, this would still not be something that would be holding us back from a decision to walk away if we didn't find a satisfactory value creation.

Sam Arie, UBS
That doesn't sound like very negative consequences. Okay. Thank you very much. Thanks for letting me squeeze the extra question in.

Operator
Thank you, Sam. As a reminder, please press five star to ask a question. The next question will be a follow up from the line of Dominic Nash from Barclays. Please go ahead. Your line will be unmuted.

Dominic Nash, Barclays
Yes. Thank you for taking my second question. This one is actually on Hornsea 2 rather than Hornsea 3. Could you just give us what an update is on your contractual position with the CfDs or Merchant? And as I understand it, I think in 2022 you pushed back to CfDs, but you'd hedged your power. And, as we go to 2023, I think you're now pushing back the CfDs another year and I think you could potentially push it back another year after that as well. And, I'm curious as to why you're not starting your CfD on what is currently being commissioned or are you going to just hold back the whole way now you're taking advantage of the higher power prices or do you think you should be doing CfDs or do you think you should be doing merchant on Hornsea 2? Thank you.

Daniel Lerup, CFO
Yeah, we have decided to use the flexibility that we have within our CfD contract to push the CfD on Hornsea 2 one more year. And, you are right that we potentially have the flexibility to push it one additional year again.

Dominic Nash, Barclays
And is that a market decision to get higher revenues or is that a commercial decision or is that like a regulatory decision as to why you decided to push it back?

Daniel Lerup, CFO
Well, that is a commercial decision based on optimizing the value of Hornsea 2.

Dominic Nash, Barclays
Okay. Thank you.

Operator
Thank you, Dominic. As there are no more questions. I'll hand it back to the speakers for any closing remarks.

Mads Nipper, CEO
Yes. Thank you very much to all of you for joining. And, as always, appreciate the great questions. If you have any further questions, don't ever hesitate to reach out to our IR team. They're here just to answer them. And, I hope to see you all in London on June 8th for our Capital Markets Day. So, thank you very much. Stay safe and have a great day.