Ørsted Q4 2022 Earnings Call

Transcription

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PRESENTATION

Operator

Welcome to this Ørsted Q4 2022 earnings call. For the first part of this call, all participants will be in a listen only mode and afterwards there will be a question-and-answer session. Today's speakers are Group President and CEO, Mads Nipper, and CFO, Daniel Lerup. Speakers, please begin.

Mads Nipper

Thank you very much and welcome to this call. As you may have seen from our pre-released earnings two weeks ago, we achieved a record high operating profit in 2022, despite the unusual and very volatile market conditions. Our financial performance is supported by a fleet of assets continuously operating at excellent availability rates and contributing to the security of energy supply across all markets in which we operate. This shows the benefit of our strong operational portfolio and the diversification of our asset base. Based on the financial results, the Board of Directors will recommend to the annual general meeting that a dividend of 13.5 DKK per share is paid for 2022. This equates to an 8% increase in line with our dividend policy.

On that note, let me dive into the strategic progress we achieved during 2022. Starting with our offshore business. In August, we commissioned the world's largest offshore wind farm, the 1.3 gigawatt Hornsea 2 project in the UK. This is a very significant milestone and I'm very proud of the entire team who, under very challenging conditions with COVID 19, delivered this project. Furthermore, we progressed the construction of the Greater Changhua 1 and 2a project which is our first large-scale offshore wind farm in the Asia Pacific region. We achieved first power in the first quarter of 2022 and expect to fully commission the project in the second half of 2023. In the US, we took final investment decision on our South Fork project, and we are well on track to meet commissioning in 2023. In addition to progressing with our construction portfolio, we made significant progress within our development and opportunity pipeline. We were awarded a contract for difference for the 2.9 gigawatt Hornsea 3 in the UK, which will be the world's single largest offshore wind project. In addition, we formed a partnership with Copenhagen Infrastructure Partners to develop up to 5.2 gigawatt of offshore wind in Denmark across four open door projects, and we applied for permits to build four additional large scale offshore wind farms in Sweden, bringing our Swedish portfolio to a potential total capacity of 18 gigawatts. We also took tangible steps into floating offshore wind with our 100 megawatt floating project Salamander in Scotland and our partnership with Repsol to explore the joint development of floating offshore in Iberia. Additionally, we are part of the joint venture behind the Scottish project Stromar, which in 2022 was awarded a site for approximately 1 gigawatt of floating offshore wind on the northeast coast of Scotland.

As a testament to the value of our current product portfolio, our farm down strategy once again proved its attractiveness with the completion of the farm down of Hornsea 2 and Borkum Riffgrund 3. On top of our firm pipeline, which is defined as our installed, decided, and awarded capacity, comes a number of pipeline opportunities within bottom fixed and floating offshore wind as well as P2X.

In our Onshore business, we continued our strong growth trajectory as we commissioned 0.8 gigawatt and advanced seven projects with a combined capacity of 1.4 gigawatts to final investment decision, including the 600 megawatt solar and storage project, Eleven Mile, and the 471 megawatt solar project, Mockingbird, both in the US. In addition, we expanded our growth platform in Europe with the acquisition of the French-German developer, Ostwind, and four partnerships in Spain to pursue early-stage solar PV and onshore wind projects, which gives us a strong presence across key renewable growth markets in Europe. In combination, these efforts increased our firm capacity of onshore assets with more than 30% during the year. Furthermore, we closed our first ever onshore farm down by agreeing to divest 50% of a portfolio of four onshore projects in the US. Similar to our strong farm down track record in Offshore, the transaction secured an attractive net present value retention and provided proceeds which we can reinvest into value creating growth.

Within our P2X business, we achieved several key milestones throughout the past year. We acquired the remaining 55% of the FlagshipONE project and took the final investment decision. The facility will have an electrolyser capacity of 70 megawatt and will be the largest e-methanol facility in Europe. Furthermore, we signed a landmark green fuels agreement with A.P. Moller-Maersk to partner for our project, delivering 300,000 tonnes of e-methanol per year in the US. It is also worth highlighting thatt both our 'Green Fuels for Denmark' and 'Haddock' project in the Netherlands received IPCEI funding in 2022. IPCEI standing for: International Project of Common European Interest.

So, strategic progress meant that our firm capacity increased with 4.5 gigawatts during 2022 to 30.7 gigawatts. In addition, our substantiated pipeline across offshore - and onshore projects and opportunity pipeline in offshore increased with more than 25% to roughly 85 gigawatts.

There is no doubt that green energy is the most impactful solution we have for fighting global warming, and we need to speed up the build-out of renewable energy. But, it is also becoming evident that to succeed with the green transformation, we must create a positive impact on nature and people to ensure we solve key environmental and societal challenges and maintain public support for the green build-out. Ørsted has set industry leading sustainability commitments and as part of reaching our science-based target of having net zero emissions in scope 1-3, we became a founding member of First Movers Coalition's 'near-zero' concrete commitment and entered into a partnership with World Wildlife Foundation to improve ocean biodiversity. The world is facing a climate crisis, and it is indisputable that a transition to a sustainable energy system is needed. We continue to be part of this much needed renewable energy build-out, and with the significant strategic results across our business, we remain confident in our long-term financial targets and growth ambitions.

Let's turn to slide four. Throughout 2022, the renewables industry has been challenged by continued supply chain bottlenecks, cost inflation, and slow permitting of new projects. Despite all these challenges, renewable energy continues to be significantly cheaper than any fossil fuel alternative. Even with challenged supply chains, it is furthermore likely to be the best possible insurance policy to avoid future energy price increases like those seen last year. Therefore, action must be taken to increase the pace of the necessary investments in renewable energy - and we need to push regulatory and political barriers to focus on fast and streamlined permitting processes which today continue to represent a major bottleneck within our industry. In light of this challenging backdrop, we are pleased to see that the political attention and support towards the renewable build-out has seen significant positive development during the past year.

In Europe, we have seen different political initiatives, such as the adoption of several 'Fit-for-55' files, RE-Power-EU, The Esbjerg Declaration, and the Marienborg Declaration. More recently, the European Commission announced the planning of a 'Green Deal Industrial Plan', which will be aligned with the 2050 climate targets and provide significant opportunities for the renewable energy sector. Included in the 'Green Deal Industrial Plan' is 'The Net-zero Industry Act', which is focusing on regulation to scale the development of green energy supply chains and raw materials. Additionally, the plan is focusing on changes to state aid rules to counter relocation of industries, investments in skills and workers, and lastly international trade with focus on protection against China. Such initiatives would be incremental positive for the renewable industry within Europe, which would benefit from the increased EU support and as well as easier access to national funding made available through relaxation of EU state aid rules, which should of course be done in a way that preserves fair competition.

In the US, an important step has been initiated by passing the US Inflation Reduction Act, providing 385 billion USD in funding for renewable energy generation, green hydrogen production and climate risks over the next ten years. The Inflation Reduction Act is one of the most important climate initiatives since the Paris Agreement and will make a tremendous difference for the green transition in the US with historic investments into clean energy, especially in light of the current environment where offshore projects are challenged.

In Asia-Pacific, we also see good progress with firm offshore wind capacity built out targets in Taiwan and the 'Green New Deal' in Japan. Australia has announced regulatory changes to progress offshore wind power with political momentum for renewable energy solutions. We fully recognize Australia's strong offshore wind potential backed by supportive policies and momentum for green energy. Australia has all the ingredients for a thriving offshore wind market. Looking across our portfolio, we are well positioned to tap into the political support due to our significant presence within onshore, offshore wind, solar PV, hydrogen, and storage. Through our 30 plus years in the industry, we have established a strong global presence with trustworthy stakeholder relations across the supply chain, local communities, unions, governments, and policymakers. We have strong competencies within development, construction, operations, and maintenance. And I have more than 8000 dedicated colleagues who go to work every day to bring us one step closer to a world that runs entirely on green energy.

Moving to slide five and the outlook for offshore wind auctions in 2023. Throughout 2023, we expect to see numerous auctions and tenders across all three regions where we are present. More than 25 gigawatts are set to be auctioned during 2023, which underlines the strong growth outlook for offshore wind. On top of this build-out, we continue to see a significant increase of open-door opportunities across European countries, which greatly increases the addressable market for the build-out of offshore wind. We expect to see continued growth in the long-term with an expected global offshore wind build-out of more than 20 gigawatts yearly towards 2030 and more than 30 gigawatts yearly between 2030 and 2035. With an annual growth rate in installed capacity of 20% over the next decade, we see ample opportunities to fulfil our ambition of adding around three gigawatts of offshore capacity to our portfolio yearly. Exactly like we did in 2021 with additions of 4.5 gigawatt capacity and 2.9 gigawatts in 2022.

However, I will reiterate a word of caution being that in light of the supply chain bottlenecks, cost inflation and increasing cost of capital, it is essential that we see the contracted prices in auctions and tenders reflect the realities of the current inflationary environment. Otherwise, the necessary investments in renewable energy are at risk of slowing down and cause a devastating loss of momentum for the green transformation. On that note, we are encouraged to see that Massachusetts removed its price cap and that improved framework conditions for the ORECs have been launched in New York, Rhode Island, and New Jersey, as inflation indexed mechanisms are being implemented to counter some of the adverse impacts from the unprecedented increase in interest rates and cost inflation. In a response to New York State's third round of offshore wind solicitations, we have submitted a proposal which include multiple bids with different configurations. We applaud the high number of auctions and tenders, both near-term and long-term.

As a direct consequence of the unprecedented cost inflation and rapidly increasing interest rates that the industry faced in 2022, we had to incur an impairment of our US development project Sunrise Wind. As the project is the last project in our execution pipeline towards 2025, the project faced specific challenges compared to the rest of the portfolio, and the project experienced acute cost increases, specifically driven by the prices for installation vessels and the associated services. On a portfolio level, we have locked in around 90% of the cost of the projects towards 2025. Moreover, all pre-2025 COD projects have a positive forward looking net present value on an individual basis, and we currently assess that this portfolio has a positive lifecycle net present value assuming 40% ITC. As we have previously noted, we continue to explore all options to improve the business cases, including ways to have more robust top lines.

Notwithstanding the Sunrise Wind impairment, I want to emphasize our continued commitment to Sunrise Wind and the rest of our US offshore wind portfolio. We are developing the largest portfolio of offshore projects in the US with seabed leases secured many years ago at very low costs, which we will leverage for future offshore wind solicitations in the US like the very recent New York 3 auction.

With our unique global presence, we will assess the opportunities across technologies in existing and new markets to make sure we efficiently prioritize our capital allocation. And we will continue our strong focus on value creation and financial discipline when bidding into auctions and tenders. And with this, let me hand over the finances to you, Daniel.

Daniel Lerup
Thank you, Mads, and good afternoon, everyone. Let me start with slide six and an overview of our full year EBITDA for 2022.

As we did release our operating earnings two weeks ago and today confirm these numbers, I will not go into many details on the EBITDA. For the group, we realized the total EBITDA of 32.1 billion DKK, including new partnerships. This is a record high EBITDA, and the achievement should be considered in light of macroeconomic headwinds, high volatility within the energy market as well as adverse impacts from our hedging program. Excluding new partnerships, our EBITDA amounted to 21.1 billion DKK, which exceeds our initial expectations for the year. In fact, this number includes a negative effect of 1.3 billion DKK from IFRS 9 related ineffective hedges, which will improve EBITDA in future periods. When excluding these temporary IFRS 9 adjustment, we achieved a Group EBITDA, excluding new partnerships of 22.4 billion, which is an increase of more than 40% compared to last year.

As highlighted during the conference call a few weeks ago, our earnings composition for 2022 was considerably different from our initial expectations. This was primarily driven by the high volatility and increase in power prices as well as adverse hedging impacts. However, the developments within 2022 have demonstrated the earnings robustness of our diversified asset portfolio.

The financial outperformance of initial expectations is driven by a strong performance within onshore, as well as our 'Bioenergy & Other' segment. Our onshore division have operated at high availability rates throughout the year, increased generation capacity and managed to secure favorable prices during the ramp up phase of assets under construction in the US, as well as benefiting from upside sharing mechanism within some of our PPAs. Within our 'Bioenergy & Other' segment, we have secured attractive earnings within our gas activities and benefited from the high power price levels. Finally, we remain confident in our long-term EBTDA growth towards 2027, where the combination of our operating assets and projects to be installed will secure a high degree of earnings visibility.

Let's continue to slide seven.

For Q4 2022, net profit totalled a -0.3 billion DKK. Contrary to Q4 2021, we did not complete any farm downs, and in addition to this, the impairment related to Sunrise Wind reduced the net profit for the quarter. Adjusting for these effects, net profit for the period was significantly higher than last year, driven by a higher EBITDA. Our Return On Capital Employed came in at 16.8%, which was an increase of two percentage points compared to last year, driven by a higher EBIT over the 12 month period and significantly ahead of our long-term target. Throughout the fourth quarter of 2022, we saw a significant increase in our equity, which ended the year at 95.5 billion DKK. The increase is driven by hedges going into delivery and the lower power prices. With this, the hedge reserve decreased with more than 50% during the quarter. The remaining negative hedge reserve will be matched by higher future revenue from the underlying assets when the contracts fall into delivery. Around 30% of this hedge reserve will materialize before the end of 2023 and thereby gradually increase our equity.

Let's turn to slide eight. At the end of 2022, our net debt amounted to 30.6 billion DKK, a decrease of 15.1 billion DKK since end of the third quarter. Our 'Cash flow from operating activities' was significantly impacted by net cash inflow from collateral postings amounting to 17.4 billion DKK, which is driven by the reduction in forward power prices. By the end of December, we had posted a total of 14 billion DKK in collateral payments, where the majority will unwind over the next 2 to 3 years. During the quarter, our 'gross investments' totalled 9.8 billion DKK, primarily driven by our investments into construction of offshore and onshore projects. We received a payment from a partner related to project development and lastly, saw a positive effect from issuance of hybrid capital and an exchange rate adjustment due to decreased GPDBP. Our key credit metrics 'FFO to Adjusted net debt' stood at 43% for the full year of 2022. The level was above last year, primarily driven by higher EBITDA.

Let's turn to the next slide. For the full year 2022, our taxonomy-aligned and eligible share of revenue was 73%. Our share of OPEX was 80% and EBITDA was 85%, and the share of gross investments was 99%. The non-eligible part of our revenue primarily relates to our long-term gas legacy activities and non-eligible power sales.

Green share of energy came in at 91% compared to 90% last year. The development was primarily due to more wind and solar farms in operation as well as higher wind speeds. As we've been ordered by the Danish authorities to prolong the operation of Esbjerg Power Station beyond Q1 2023 and resume operation of the coal-fuelled unit at Studstrup Power Station and the oil-fuelled Kyndby Peak Load Plant, this will expectedly have a negative impact on our green share of energy and our taxonomy aligned KPIs in 2023 and 2024. The order requires that we operate the units until June 2024, and we therefore maintain our commitment to become carbon neutral by 2025.

Turning to safety, we regrettably do not see a performance which is up to our expected standards, as our total recordable injury rate is at 3.1 for 2022. 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 a safety culture, and especially in light of the latest trend, we've implemented several initiatives such as increased leadership, involvement, safety stand downs and targeted safety campaigns on specific issues.

Let's turn to slide ten. Throughout 2022, we've seen material unintended and adverse impacts to our financials due to our previous hedging framework. These impacts have related to overhedging, temporary IFRS 9 adjustments as well as inflation indexed power purchase agreements. We have learned the hard way that our previous risk management framework was designed for very different market conditions and had ended up being too complex. Our updated hedging framework will significantly reduce the risk of adverse hedging impacts in the volatile market conditions we are seeing, and instead support the high predictability of earnings that our portfolio of renewable energy assets is capable of delivering.

Historically, our hedging framework has served us well, as it has provided us stability and visibility of earnings. However, it was designed for risk management and earnings optimization under fundamentally different market conditions than what have prevailed recently, illustrated by the extreme increase and volatility of power prices over the past few years.

To adapt to the unprecedented market conditions with high volatility and significant increase in power prices - while also better reflecting our current business composition - we decided to cease all new hedging activities end of 2021 and conducted an extensive revision of our hedging framework. The design criteria were based on some of the key learnings that we have made over the past year.

First, it has been crucial to reduce our hedge level, so we significantly reduce the risk of having to buy back hedged volumes.

Second, we have seen a significant increase in the amount of the collateral that we have had to post related to our hedge portfolio. We have experienced a significant drag on our liquidity, and throughout the year, we took several proactive steps to ensure a sufficient level of liquidity to meet the collateral requirements, while also supporting our ongoing build-out and operations. It has been a key condition for our new framework that we significantly reduce the risk of having to post collateral to a similar extent in the future.

Finally, our previous framework was highly systematic and methodical in the sense that we would strictly follow our hedging staircase by meeting fixed hedge levels at given time horizons. However, we've come to learn that we must introduce more flexibility into the framework such that we can maximize value and support commercial initiatives, for instance, by locking in power prices above the levels that are assumed in the business case.

If we turn to the next slide, where I will cover the updated framework based on these design criteria. Even with the significant increase in power prices, we continue to have a very high share of EBITDA coming from long-term regulated and contracted activities. Going forward, we will hedge no more than 70% of the remaining limited merchant exposure from our offshore and onshore assets within the current and the following calendar year. With this approach, we will significantly reduce the risk of unintended adverse hedging impacts in the future, including lowered risk of overhedging, lower collateral postings, as well as a reduced impact from temporary IFRS 9 effects. Based on historical wind and production data, we can conclude that our former very high hedge requirements resulted in overhedged volumes in one of three months, while a hedge level at 70% would lead to overhedged volumes in one out of 20 months. This is a much more comfortable probability, especially given current market volatility, elevated power prices, and increased renewable penetration. Our renewable portfolio contains a natural risk reducing mechanism given the negative relation between production and price. In a high wind scenario, the merchant price will be relatively lower, yet this will be offset by higher generation from the subsidized assets. On the contrary, in a low wind scenario, the merchant prices will be relatively higher and the higher price level on the merchant generation will counterbalance the lower generation from the subsidized assets. This provides a natural offsetting portfolio effect from our renewable assets. The negative relationship between production and price is expected to grow even stronger in the future, as renewables will make up an increasingly larger share of the energy supply. In designing our new framework, we have considered this offsetting effect between power generation and price volatility. As such, the extent to which we will hedge our merchant generation depends on the portfolio composition of subsidized and merchant exposure, as well as the prevailing market prices.

The graph on the right-hand side illustrates two portfolio compositions which hold different shares of merchant exposure. The portfolio with a 10% share of merchant exposure indicates that increasing the hedge level for the portfolio will increase the revenue uncertainty due to removal of the natural portfolio effects, as well as increasing the risk of overhedging. On the contrary, for a portfolio that holds a merchant exposure share of around 40%, increasing the hedge level will reduce the revenue uncertainty, but only to a certain extent. Hedging the merchant generation at a too high level will remove the natural portfolio effects and introduce risk of overhedging. This implies that for a portfolio with a low share of merchant exposure, holding a high hedge level increases the risk of overhedging - which is the adverse impact that we have seen in our portfolio over the past years.

The decision to lower the hedge level and duration will result in a lower risk within our portfolio going forward. The combination of a high share of regulated and contracted earnings and the portfolio effect I just described will support revenue certainty going forward. With our new framework, we will decide on our year-to-year hedge level based on the overall portfolio composition, and thereby avoid situations where hedging is risk increasing rather than risk reducing. We are moving away from our systematic and methodical approach to a more flexible and dynamic framework that provides the needed flexibility to ensure we strike an optimal balance between regulated and merchant earnings.

It's important to highlight that we are still implementing this framework as our previous hedging framework have locked in a relatively high hedge level within offshore for 2023 as well. However, we have taken proactive steps in reducing the extent to which we may be negatively impacted by our hedge level. As an example, we have opportunistically bought back forward-sold volumes at favorable prices to reduce the risk of overhedging, and as a result of this, we are heading into 2023 with an Offshore hedge level of around 85%, which is meaningfully lower compared to the close-to-fully hedged level in 2022. On a Group level, we hold a hedge level of around 70% for 2023.

Finally, let's turn to slide 12 and our outlook for 2023.

As highlighted during our conference call a few weeks ago, we guide our full year 2023 EBITDA in the range of 20 to 23 billion DKK. I will not go through the underlying assumptions behind our guidance now, as we covered it back then. However, I will note that the financial outlook for 23 showcases a significant earnings improvement from our operating renewable energy assets, particularly within the Offshore business. As per our guidance for 2023, we are expecting to see earnings increase of more than 80% for our generating Offshore assets, which is a key growth and value creating part of our business. For our gross investments, we expect to be in the range of 50 to 54 billion DKK. This is driven by timing effects of investments that have been postponed from 2022 into 2023, as well as an overall increase in the investment level given the build-out of our pipeline within Offshore and Onshore.

At our latest Capital Markets Day, we presented four key financial estimates that supports our growth plan of approximately 50 gigawatt of installed renewable capacity by 2030. As a consequence of the supply chain disruptions in the wake of the COVID-19 pandemic, cost inflation, and the prolonged permitting processes, especially in the US, our gross investments from 2020 to 2027 that will enable our 50 gigawatt build-out, are currently trending higher than the approximately 350 billion DKK we had planned for. However, if the inflation and energy price levels remain at elevated levels, these factors will positively impact our EBITDA CAGR and ROCE over the period and lead to an increase in the relative share of EBITDA that is merchant. Notwithstanding the higher trending Capex, we remain committed to our current CMD plan.

And on that note, I'm also really excited to announce that we will host a Capital Markets Day on June 8th, where we will present a progress update on our long-term strategy. So, please save that date. With that, we'll now open for questions. Operator, please.

Q&A

Operator

Thank you. This concludes the presentation, and we will now open it 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 a second question. To ask a question, please press five star on the telephone keypad. To withdraw your question, please press five star again. I'm going to have a brief pause while the questions are being registered. The first question will be from the line of Kristian Johansen from SEB. Please go ahead. Your line will now be unmuted.

Kristian Johansen, SEB

Yes. Thank you. So, my question is regarding your 50 gigawatt target. So, looking at the pipeline figures you give combining your firm capacity and substantiated pipeline. It's now at 59 gigawatts. Going back to your CMD in 2021, it was 48. As you also illustrate, this number is going up fairly significantly. So, to me, it sort of signals that the probability that you can beat your 50 gigawatt target is also going up. So, can you just share some thoughts on how likely that will be? And then also, what will it take for you to actually go out and change this target?

Mads Nipper, CEO

Yes. Thank you very much, Kristian. I'd be happy to comment on that. You're right that the substantiated pipeline and firm capacity has gone up substantially, which we're really happy to see. You cannot take sort of as an automatic indication that this will, of course, go up. But right now, due to the industry conditions we are describing, it's very important for us to ensure that we focus on the most value creating investment opportunities, which is why it's a great privilege to have a quite wide substantiated pipeline to pick from. And bear in mind that as we progress our work, the opportunity pipeline will continue to feed down into the substantiated pipeline as well. So, I would say absolutely, yes. This makes it even more likely to get to the approximately 50 gigawatts that we have set, but also that it is also necessary to have a wide pipeline of substantiated projects or project opportunities that make value creation even more likely.

Kristian Johansen, SEB
Understood. Thank you.

Operator
The next question will be from the line of Deepa Venkateswaran from Bernstein. Please go ahead. Your line will now be unmuted.

Deepa Venkateswaran, Bernstein
Thank you. So, my question is on the US impairments. I think a lot of the investors are struggling to handicap maybe for the downside or how much further issues there might be. So, I was wondering if you can give some disclosures, even if it's at the total project level for all your near-term U.S. projects? What is the total CapEx and how much have you spent and what percentage inflation there has been? So, we can also do the math on what might be the risk should there be further inflation. Thank you.

Daniel Lerup, CFO
Thank you, Deepa. We won't be going out with an updated number on our full US portfolio. I think the headline numbers you have are the 350 million DKK for our build-out towards 2027. But, maybe a little bit more clarity on what we have spent so far in the US, I can give. So, we say that a spend of roughly 13 billion DKK mainly on the near-term development pipeline being the NEP project and Ocean Wind 1. And it corresponds to roughly a low double-digit percentage of the totality of the near-term development pipeline in the US.

Deepa Venkateswaran, Bernstein
Okay. Thank you.

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

Alberto Gandolfi, Goldman Sachs
Yeah. Good afternoon and thank you for taking my question. I wanted to ask about that leverage and a little bit more. If I look at Bloomberg consensus for 2023 and that expectations are 66 billion DKK and you have just reported 30. So, if you look at some operating cash flow, if we look at your gross Capex and your typical approach of rotating assets. I know you normally don't provide any guidance, but can you help us understand this figure? I mean, are we grossly overestimating that debt for 2023? How much of the 11 billion working capital inflows in Q4 is going to reverse? And if consensus is incorrect. I mean, isn't the FFO to net debt much better than we were thinking because of the margin calls are absorbing this working capital inflows or how much of that reverses again to be seen, but does it also mean we're a little bit too worried about the timing of an equity raise? You kept saying the equity raise would be potentially for funding a deal or perhaps if your win rate is much better, if your substantiated pipeline gets converted faster. So, should we think it in those terms, based on the current plan of what you have won so far, you don't really need equity. So, if you can come into this relationship, that would be fantastic. Thank you so much.

Daniel Lerup, CFO

Yes, I'll try to do that, Alberto. And when we look at our capital structure projections, both our internal numbers and also for the rating agencies, we of course, believe that we will be able to live up to the thresholds that are set out in those capital structure metrics. And that is basically what we have solved for in order to deliver on the roughly 50 gigawatt in 2030. So, that's our starting point, and you will of course see that there's fluctuations in net debt and the FFO-to-net debt year over year. But, we of course believe that we can live up to those thresholds. When it comes to collateral, we have 14 billion tied up roughly right now in collateral, and we do expect that a fair share of that will be coming back in 2023. So, I don't know whether that can kind of close some of the gap. I'm not completely into the details of the average Bloomberg number, but that could potentially explain some of it. When it comes to the ABB, as we've said before, it is not our plan to use it to close a gap in our capital structure. It's a financial flexibility we have, that we will use in a situation where we see that the combined probability of all of the options, that we have to grow above 50 gigawatt, which becomes large enough for us to say, "Okay, now it makes sense to issue more equity in order to fund further growth beyond the 50 gigawatt."

Alberto Gandolfi, Goldman Sachs

Thank you.

Operator

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

Rob Pulleyn, Morgan Stanley

Hi. Good afternoon. Thank you very much for taking my question. There is only one and hopefully you can share some color. So, there's been a lot of discussion around these US projects, which I think we should all remember were signed by the previous management team. And I was wondering whether you'd be willing to share your thoughts on what the key lessons learned over the last two years were and how that experience may shape the future and are, shall we say, risking a value creation and the outlook for Ørsted. Thank you very much.

Mads Nipper, CEO

Yes, thank you very much, Rob. I'd be happy to give that a shot and invite Daniel to supplement as well. One of the key learnings - and we're happy to see this implemented across several states - is that inflation indexing on the revenue line is something that is really important. We have worked quite intensely with the regulators to ensure that is something that happens because in a situation where the cost of capital and Capex inflation is going up, then having this fixed revenue line with a fixed annual escalator, it's just obviously challenging. So, working with the regulators to ensure that we de-risk that from a developer point of view and therefore that the risk sits with those who can best handle it rather than forcing developers to build in risk premium is one key learning. The other key learning is, of course, and that is not too different from our long-term strategy, is to ensure that the more CapEx certainty we can get soon, the better. Because, the variability we have seen also in scopes that were previously sort of not that unpredictable, is something we have learned can change, as the bottlenecks in the industry change. So, having the foresight and also structural and systematic foresight into where are the most likely bottlenecks, where can they happen, and ensure that we tie up, really both the capacity, but also having the fixed price agreements. We are doing this, as we speak. So, we are not just sitting on those learnings, we are implementing them by ensuring that we do frame agreements that are not just capacity ensuring, but also some that are locking in significant parts of that volatility that we would otherwise face. Those are are two examples of learnings that we are both taking and are already in the midst of implementing.

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

Operator
Thank you, Rob. 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. A question relating to the US projects. Mads, you mentioned that one of the cost items where you had seen a lot of inflation were within vessels to do the installation, especially within the Sunrise Wind project. And I assume that it's not a market with hundreds of vessels and that, relatively few vessels could quickly change things. What are you seeing sort of here in terms of the pipeline of vessels going forward? And do you see any upside from potentially other projects being delayed, postponed, maybe not even built that could actually make things easier, even sort of in the near term for you? Thank you.

Mads Nipper, CEO
Yes. Thank you very much Casper. We have very little doubt that there will be a structural overall positive sort of capacity expansion. Because in a tight market, obviously, the vessel owners are seeing significant opportunities. And that is not just in the US, that is globally and we are seeing FIDs on heavy lift vessels that are happening as we speak. And that's a good thing and that is something that will clearly add to the capacity. We continue to push that because as you can see from one of the slides we showed today, the capacity expansion of what needs to be built out, we need to ensure that we also encourage, both in the market predictions but also in the commitments we give, that we can secure even more capacity. So, since it takes time to build these, the honest answer is, Casper, that the nearest term project, so for example, the portfolio of US projects we have towards 2025, those are unlikely to be impacted positively or negatively for that matter of any capacity expansions that are happening. But towards 2030, there's no doubt that we are seeing this as an area that we are hoping and believing could be de-bottlenecked.

Casper Blom, Danske Bank
Thank you.

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

Harry Wyburd, Exane
Thank you very much for taking my question. I'm really sorry to label the point on the write downs, but can I ask a slightly technical question? If we think about projects for the COD after Sunrise, I guess they don't have very big book value right now. So, what's the risk, that as you progress through time and spend money on them, that you

then have to get to a point where they do have book value and then you have to look at whether you need to write them down. In other words, what's the risk that the Capex and Devex that you actually spend over the next couple of years is sort of value destructive? And then we get to two years time, you've got to write that down, but you don't have to do it right now because the book value is basically zero on those projects. And maybe if I could sneak in the vessel costs, obviously you seemed much higher vessel costs on Sunrise. Did you make the same assumptions for the other the other projects as well, or are you sort of implicitly assuming that vessel costs come down, like you said, for 2030? Thank you.

Mads Nipper, CEO
I can take the last first and then hand over the first question to Daniel, Harry. I think as we also wrote in our text around the impairment of Sunrise Wind. The reason why that is the project we impair whereas the others have a comfortable headroom under the current assumptions, is that we had locked in more of those scopes including the vessels. So, therefore it's not because we have done something terribly wrong or have any sort of significant outstandings on the remaining projects. It's just because Sunrise was the last to lock in in a market where prices on rates were going up significantly. That explains that. So, we are we do have, as we mentioned, sort of a 90% Capex price lock in for those 2023 to 2025 COD projects, which gives us a very high degree of certainty, whereas Sunrise was the last one and that was hit specifically by those steep increases.

Daniel Lerup, CFO
And on your first question on the later-dated development portfolio in the US, it is a fairly insignificant amount that we have booked on those projects. So, I don't see a big impairment risk on those projects. It is more backend dated spent. It's projects where we have some more flexibility because they are to be delivered later in the decade. And we will of course make sure that when we take FID on those projects and also spend more on them, that we do it with the consideration to make sure that we have a meaningful value creation on those projects.

Harry Wyburd, Exane
That's very clear, thank you.

Operator
Thank you, Harry. The next question will be a written one from **Sam Arie from UBS.** When I listen to your presentation, I hear the following key points. Much more capital needs to be attracted to the sector. Much more government support is expected around the world. There's perhaps more risk in some projects than previously recognized as highlighted by the events of last year. Higher bids are needed from developers. Taking these together, is it fair to think that in the coming years returns in the sector have actually gone up quite a bit, both in terms of the headline IRR. You can achieve and also the spread above WACC, which that reflects. Thank you.

Daniel Lerup, CFO

Yes, it is definitely our expectation that the absolute returns will have to go up as we see more inflation, higher costs, higher interest rates. When it comes to the spread, we want to get out of winning a project, it will, of course, be very project specific, depending on timing, whether there's inflation indexation and whether we can lock in cost certainty at point of bid. So, there's of course a lot of things playing into that. But, we are of course taking into consideration the increased uncertainty that we are seeing and that should come through either a higher spread to WACC, but it could also come through a higher contingency if we are in doubt whether we'll be able to deliver on the Capex that we are assuming in a bid case.

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

Mark Freshney, Credit Suisse
Hey, thank you for taking my question. So, on vessels, as I understand it, there's a bit of a chicken and egg scenario. Some of the builders or asset owners don't want to build these vessels until they've got firm commitments. You don't want to give them until you've got firm clarity as to when you need the vessels. In the past cycle, I mean, you yourselves were a joint vessel owner with Siemens. So, I'm just wondering - and so are RWE and partially Centrica were - so I am just wondering why you haven't, given the clarity you have in your business plan, why you're not going ahead and building your own vessel? Because you know, you know you need it. And if I may be cheeky and ask for a one liner in addition, can I ask what the WACC you're using for the impairment testing of the North American projects is? Thank you.

Mads Nipper, CEO
Thanks a lot. I can answer the first question. You're right, we did go in as vessel owners. Fundamentally, we would much rather spend our capital on building out renewable energy. And we think there are ways in which we can actually pass on. Like you say, we have a much greater pipeline and therefore build-out certainty than any other in this business, which means that we are in a unique position to actually be able to make those commitments. But, we'd much rather go into a dialog with those who have operating vessels as their main business, give them the commitments and the firm outlook. That would mean that they can make safer investment decisions rather than us spending our capital on being vessel owners. So, we are absolutely leveraging the strength of our predictability of portfolio. But, again, we prefer not to be owners of vessels.

Daniel Lerup, CFO
And on the WACC point, I can't give you a specific number, but we are using a fairly market conformed way of applying WACCs in our impairments. It's the same WACCs we use for our investment decisions. It's with up-to-date current rates. It's based on a classical cabin approach with leverage, assumption, and basis for the market. So, I would say it's a fairly standard approach and it is of course also being increased by the high interest rate environment that we are seeing right now.

Mads Nipper, CEO
If I can just add sort of maybe a second half to your first question about vessels. I think, not relating to whether we own it or not, but one of the key considerations for vessel owners, whoever they are, is of course, how futureproof is my investment? And given the ever-increasing size of turbines and the foundations, of course, this is one of the things that everybody is trying to predict, how big does my vessel need to be? And therefore, if the equipment grows too big, will there be a risk that my vessel will be outdated in too few years compared to my depreciation period? And that is also one of the reasons or one of the things we can contribute with as a customer, is that we can decide what turbine and foundation size we want to use, and therefore also give that greater certainty, if we want to go into those dialogs.

Operator
Perfect. Thank you very much, Mads and Daniel, thank you.

Operator
Thank you, Mark. The next question will be from the line of Dan Togo from Carnegie. Please go ahead. Your line will now be unmuted.

Dan Togo, Carnegie
Yes, hello and thank you. Just a question here to understand the flexibility in your Capex and financial planning here. You have this 50 gigawatt target and 30 gigawatt for offshore and you expect to expand by three gigawatt per annum. You gain around that amount per annum. You're a bit ahead now, I understand. But, what is the flexibility? Let's say you're here in 2023 and maybe even in 2024 gain 5 gigawatt in the offshore auctions and tenders. Will that necessarily then trigger that you need to make a capital raise? Just to understand what are the sort of stepping stones here and what is the flexibility in your financial planning currently? Thanks.

Mads Nipper, CEO
I can kick it off. Dan, Thank you. If we have a year or two where we would gain sort of a firm capacity of two times 5 gigawatts, that would highly likely be something that would trigger a capital need because that would be an acceleration of that. And essentially that would mean that we'd be close to the full 2030 opportunity and therefore be a strong indication, that growth beyond the 30 gigawatts offshore is possible. I would though, caution to say, that is probably not the most likely scenario. And we really want to, as we've said many times, we are not so hungry on the gigawatts that we won't have a special eye to ensure that we really go for the most value creating opportunities. That is really important. Also, with what we have seen, is that we work on the project opportunities, whether they are centralized tenders or open-door where we feel most comfortable with the value creation potential. We'd rather go a little low to ensure that we are on the safer side on value creation than go really high, just because the opportunities are there. So, that's a balance we of course need to strike. But, we would likely raise capital in that scenario. But, having two times four or five in the coming two years I think is less likely to happen.

Dan Togo, Carnegie
Okay. Thank you.

Operator
Thank you, Dan. The next question will be from the line of Jenny Ping from Citi. Please go ahead. Your line will be unmuted.

Jenny Ping, Citi
Hi. Thank you. Mads, just following up on something you said earlier, in terms of the projects in the US as a portfolio shows a positive NPV assuming a 40% ITC. Can you just factually tell us which one of your US projects has the customer rebate clause in them included as part of the agreement that was originally signed? Thank you.

Mads Nipper, CEO

Yes, we can. If I understand your question correctly, that is our Ocean Wind 1. So, that's New Jersey. And also for, the later projects it's New Jersey and Maryland that have these passback clauses, whereas northeast programs for both South Fork, Revolution and Sunrise are all without a passback clause.

Jenny Ping, Citi

And can I just confirm? Sorry, the clause talks about 12%?

Mads Nipper, CEO

On the original case there was an ITC of 12% and so it would be beyond that. Right?

Daniel Lerup, CFO

I'm not completely sure I understand the question. Could you repeat it, Jenny?

Jenny Ping, Citi

So, I understand some of the clauses talks about a rebate beyond a 12% ITC. You're obviously assuming a 40%.

Daniel Lerup, CFO

I think it was originally it was 18%.

Jenny Ping, Citi

Okay.

Daniel Lerup, CFO

So, there's a pass back mechanism above the 18% that was in there when we made the first bid in New Jersey.

Mads Nipper, CEO

Therefore, Jenny, to state the obvious, then obviously for Ocean Wind 1, where the assumptions for ITC were lower, then obviously, the potential upside to get the full 40% is very significant and higher than for Ocean Wind 2.

Jenny Ping, Citi

Thanks very much.

Operator

Thank you, Jenny. The next question will be from the line of Ahmed Farman from Jefferies. Please go ahead. Your line all the unmuted.

Ahmed Farman, Jefferies

Hi. Thank you for taking my question. I think in your comments, you mentioned that the current Capex trend is above what you assumed in the business plan, when you guided the 350 billion DKK. I was just wondering if you could give us some more specific color on that. How significant are you seeing the current trend above the business plan assumptions? Then if you can maybe provide some granularity on how Capex trends in the US compare with some of your key European markets? Thank you.

Daniel Lerup, CFO
So, it's correct that we are expecting that the average 2020-2027 numbers we gave at CMD on the Capex side will be going up due to the cost inflations and bottlenecks that we are seeing. But, we also expect that EBITDA and ROCE will go up to basically compensate for that. We won't be updating all of these numbers now, we can just say that we see it trending higher, but of course at CMD later this year, I think that's of course, some of the key metrics that we will be giving you some more details on. On the cost development across the regions, I think it's fair to say that in the US, being a more immature market, we are seeing costs trending up a bit faster than what we are seeing in Europe. And you also have the constraints of, for example, the Jones Act where it becomes a little bit more difficult to get the full suite of vessels for your construction projects and so higher increases in the more immature markets.

Ahmed Farman, Jefferies
Thank you. Can I just clarify a follow up just on the ROCE point? Because it just compensated or is there some positive optionality here on the ROCE reserve? And I say that because you're obviously reporting above 16% this year and your target is 11% to 12% over the period.

Daniel Lerup, CFO
Yeah, you could argue that ROCE wouldn't go up if it didn't compensate for the higher Capex. And our expectation is that ROCE will be trending higher as Capex and EBITDA is also trending higher.

Ahmed Farman, Jefferies
Thank you.

Operator
Thank you, Ahmed. The next question will be from the line of Stig Frederiksen from ABG. Please go ahead. Your line will be unmuted.

Stig Frederiksen, ABG
Thank you very much for taking my question. Just a bit more technical question to your decommissioning provisions. They're going up by more than 5 billion or nearly 60%. And, of course, you have grown your portfolio, but you're also talking about the change to the methodologies and scope and how you do the decommissioning provisions. If you could elaborate a bit on what to expect and what's behind that quite significant increase. Thank you.

Daniel Lerup, CFO
It's, of course, an area where we have gained some more knowledge and have also been leaning a little bit up against some older assumptions. And we are also seeing the vessel market becoming more expensive. So, there is partly an impact from higher vessel rates. Due to making sure that we don't disrupt the habitats of the offshore wind farms, we will probably, this is going to be very far out, be cutting the mono piles instead of exploding them, which was one of the previous assumptions. And then we've also found out that we would need to do the decommissioning in two trains instead of just one. So, there's a number of reasons for this, as we've done a fairly big deep dive on making sure that the assumptions we use also make sense for the future world so to say.

Stig Frederiksen, ABG
Perfect. Thank you very much.

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

Peter Bisztyga, Bank of America
Yeah. Hi. Thanks for taking my question. So, I just thought it would be useful, if you could set out the key milestones that need to be passed to actually make FID and actually start construction on the US projects, because it's February 2023 now and they're supposed to be operational in 2025. So, it strikes me you don't have have a huge amount of time here, if you're going to be contributing EBITDA at some point in the next couple of years. And then could you also just clarify something for me. You said that you expect to be overall NPV positive, assuming 40% IPC. So, I guess following up from Jenny's question. Is that statement only true if you're able to renegotiate customer rebates in New Jersey and Maryland? Thank you.

Mads Nipper, CEO
Yes, I can certainly address those. Thanks a lot, Peter. So, on the milestones, it is essentially getting the all scopes ready and having sufficiently locked in that, we are very close to. But, also to ensure that we have a sufficiently strong value creation that we feel it is financially right and prudent to take those FIDs. So, it is a combination of, let me put it sort of in a vague way, stakeholder dialogs, concluding in a satisfactory way to ensure that our EPC and especially our contracts, but also our EPC plan is mature. Those will essentially be the two things that are needed. And you are absolutely right that we are looking at hopefully near-term FIDs, but we won't rush them until we have that full construction plan ready, and until we have a satisfactory conclusion on getting the top lines that we need for the projects. And specifically on the passback, I will say that, we can't comment on the specific dialogs, and unfortunately, we continue to be boring with that. But we do see a pathway to getting that portfolio, so 2023 to 2025. We do firmly believe that that is one where we can get the life cycle NPV also to be positive and not just a forward looking. That is as close as I can get it.

Peter Bisztyga, Bank of America
Okay. But, let me just clarify... customs stand today, it's not positive.

Daniel Lerup, CFO
It's relying on the assumption that the 40% ITC will be possible to get on these projects. And that is, of course, our expectation.

Peter Bisztyga, Bank of America
Okay. All right. Great. Thank you very much.

Operator
Thank you, Peter. 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. A question regarding the installation vessels. If you could give a status on what goes on in Taiwan at the moment. We're still waiting for a new installation vessel, and to what extent that will have an impact or any material impact on your Capex assumption of compared to what they originally were when you initiated the project? Thanks.

Mads Nipper, CEO

Yes, certainly we can comment on that. We are very far in having contracted vessels for our upcoming Taiwanese project. So, that is not an outstanding concern. It's the short answer, Lars.

Lars Heindorff, Nordea

Thank you.

Operator

Thank you, Lars. The next question will be from the line of Alexander Wheeler from RBC. Please go ahead. Your line will now be unmuted.

Alexander Wheeler, RBC

Hi, thanks for that presentation and taking my question. You spoke about the large amount of capacity to be auctioned in 2023, and that it's essential to see the contract prices reflect in the current environment. With this in mind, are there specific geographies which you currently see as more attractive as you look to auctions in 2023? Based on the current visibility and prospective auction structure. Thanks.

Mads Nipper, CEO

Yes, thank you very much, Alex. The simple answer to that is obviously what is already in the public domain, namely that the New York three where we have chosen to bid in. It is actually not, right now, possible to say firmly where are those most attractive opportunities because for example Japan, which was very challenging in the first round, as I think every industry of service knows, we are still we are still working on sort of on clarifying whether the revised upcoming auction framework is something that makes us believe, that could be attractive, which we believe it can. So, that would be an example. And then also we are working heavily on getting under the skin of the recently announced German auction framework, to evaluate whether we believe that the framework will give opportunities for the strongest value creation. Obviously, we are not a big fan of auction frameworks where negative bidding becomes an option which it seems it does. But, on the other hand, the ample capacity means that there could still be opportunities within that. I will say that we are closely following everything. And what we know for a fact is that even though we unfortunately did not come out successful, then that the upcoming Dutch 4 gigawatt auction is one that is very likely to also be attractive for us. But, otherwise, we are following all markets and do not rule out anything on this side except Ireland, where we don't have the seabed available.

Alexander Wheeler, RBC

Okay, that's clear. Thank you.

Operator

Thank you, Alex. The next question will be from the line of Vincent Ayral from JP Morgan. Please go ahead. Your line will now be unmuted.

Vincent Ayral, JP Morgan
Yes. Thank you for taking the question. I'd like to come back on the hedging. You made a few slides on that. Clearly, you've been hit by all the hedging in 2022. You were talking about hedging levels, about 95% as I understand like ten days ago. On the pre-release, we heard about 90%. Today you talk about 85% as a final number for the hedging level on offshore wind in 2023. So, you probably bought back some volumes. The question I would have here is, it probably cost money? Is it locked into the 2022 numbers? Yes, or no? And the second thing is, you took on your new strategy on the hedging to reduce the overhedging and not go above 70% at a Group level, which is fine. But, you also talk about our IFRS 9. But, IFRS 9 is a non-cash issue, it's a matter of presentation. You have been presenting on a non adjusted basis. Why don't you move to an adjusted basis? And if you don't, basically how much do you expect to unwind exactly in 2023, if the price were to stay where they are? Because not doing anything with the current commodity prices we'd see with a lower IFRS 9 impacting. Thank you for answering this question.

Daniel Lerup, CFO
So, when we had our conference call two weeks ago, I said around 90%. And the more precise number is the 85%. But, the call was not about that hedge percentage, so it was more of a rough number. And we have been buying back hedges both in late 2022. So, there's a little bit of cost in there, and also some here in the beginning of 2023, and that's also reflected in the guidance that that we've given. On the IFRS 9 point, you are right. But we want to make sure that we follow the IFRS 9 way of reporting our numbers. So that is what we are doing in our annual report. But we are also giving you the supplementary information so that you know how big the drag has been on our numbers. And in 2022 it was the 1.3 billion DKK. As it is a timing effect, and we expect it to be coming back, we have factored in a profile that matches the underlying hedges. And out of those 1.3, you have a couple of hundred million DKK coming back in 2023, which is also included in our guidance.

Vincent Ayral, JP Morgan
All right. Thank you very much.

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

Louis Boujard, Oddo
Cheers, good afternoon. Thank you very much. Maybe one question regarding your flexibility in your pipeline. On the 11.2 gigawatt of awarded and contracted renewables capacity, which has not yet been FID on the offshore wind project. Do you have eventually some room for discussion, and if the negotiation does not come to an end in some of them to take the decision not to go ahead and not to take the FID and eventually to withdraw them. And if yes, what could be the financial consequence for one or two of these projects if it had to happen?

Mads Nipper, CEO
Yes. Thank you very much. I will say that it is our clear ambition to make all of these project's reality. And we will say that in principle, there's always a way out. But, of course, that needs to be factored in. What are the cost of that, both in terms of the commitments that we might have incurred and so on. So, in general, it is a much more likely scenario, not likely, but more likely than walking away from the projects that we say we might buy ourselves time to work with our partners to make those projects better, because there can be some flexibility in the timing

of it. And that is much more where we are looking at. Where does that timing flexibility, which we have in some of the projects, where does that actually play into being able to maybe hit a period of time where there are less bottlenecks, where there's less strain on commodity costs and so on, and where it fits better into our construction train of different projects. So, we do have flexibility and it is not impossible to walk away from anything. But we do remain committed and we are working first within the existing timelines, but if absolutely needed also with a possible extension to make the projects investable.

Louis Boujard, Oddo
Okay. If I may, just as a follow up, I understand that it is possible eventually to have a Capex which would be extended and a longer time frame then?

Mads Nipper, CEO
Yes, unless opportunities come in. So, I would say that we are looking at, as we talked about before, to a previous question, that there are very significant opportunities, including both onshore, offshore, centralized auctions, but also open door. And some of those can also come relatively near-term. We said that, for example, in the up to 5.2 gigawatt Danish open door opportunities, those are some that could actually COD as early as potentially 2027. And so if we go ahead and potentially extend to make the products better from the already awarded list, there could be options. Not saying that that would happen, but there could be options to spend that Capex on other projects. But please don't hear us saying that we are currently planning to extend or that we are planning to walk away. But, also say that if that happens, it won't automatically mean a total sort of extension of the CapEx spend. We would likely pursue other value creating opportunities if they are there.

Louis Boujard, Oddo
Thank you. Thank you very much.

Operator
Thank you, Louis. The next question will be from the line of Tancrede Fulop from Morningstar. Please go ahead. Your line will be unmuted.

Tancrede Fulop, Morningstar
Hello. Thank you for taking my questions. I have two of them. The first one is on Capex and your guidance for growth investments for 2023 of 50-54 billion of Danish kroner. It is quite above your expectations of 42 billion. So, if you could have help us to understand the sources of your upside, how much is due to phasing, maybe the delay in Greater Changhua and how much is related to inflation? It would be my first question and the second question for the US projects. You said that most of them would be NPV positive if they are eligible to an ITC of 40%. So, shall we understand that the spread IRR to WACC will be below your target fund of 150-300 basis points, meaning that you will proceed with projects which your returns results. Thank you.

Mads Nipper, CEO
Yes, I can give perspectives on that. So, the main boxes for the Capex spend in 2023, which is the 50 to 54 billion, there's an approximate 5 billion that would be a spillover from 2022 into 2023. And on top of that, we are looking, as we talked about to a previous question, we are looking at hopefully and expectedly a fairly sort of high number of FIDs being taken, which would obviously accelerate our Capex spend. But, also bear in mind that with the total

Capex that we announced at the last Capital Markets Day, if you divide that by the number of years, the average would be sort of approximately 44 to 45 billion. So, over the last three years, it would actually be around that level. So, it's not an abnormally high level, but due to the phasing between the two years and also hopefully an accelerated Capex spend on projects that we have FID, we see this clearly within our plan. And on the US projects, the direct answer to your question is yes. In light of the new realities with the cost of capital and also the Capex inflation, these projects will not be within our guided range of 150 to 300. We clearly, obviously, when we bid in, they were well within that range at the time. But, due to those circumstances, now they're not. But the portfolio of the 2023 to 2025 is under the assumptions we discussed before. On portfolio level, they are NPV positive but not within the range.

Tancrede Fulop, Morningstar
Very clear. Thanks.

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

Dominic Nash, Barclays
Yes. Yes. Good afternoon, everyone. Just the one question from me is regarding your partner, or your partners, I should say, Eversource and PSEG. Could you give us an update on what's going on with the Eversource position as to are they still looking to sell, and what sort of timeframe are we looking for to get news flow on that? And will you be looking at potentially buying back or getting the 50% Eversource sale and buying it back similar to PSEG? Thank you.

Mads Nipper, CEO
Yes, I can comment on it, but it won't be a very specific answer. But, yes, the process is ongoing with Eversource in the sales process. And we are highly unlikely to acquire the remaining 50% stake, despite us doing that at cost in Ocean Wind 1 with a 25%, which was due to, as we also explained in a previous call, not because Eversource is running away, but due to the fact that now it's ITC rather than PTC and PSEG had difficulties monetizing that. So, that was the reason for that. And then with Eversource that is progressing, I don't think we're in a position to give a timeline on that. That needs to be Eversource who gives an answer to that. And as previously commented, if anything it would be a dialog that between us and Eversource about potentially acquiring the seabed, but not the 50% stake on the Northeast program.

Dominic Nash, Barclays
Okay. Thank you.

Operator
Thank you, Dominic. As we are running out of time, I will now hand it back to Mads for any closing remarks.

Mads Nipper, CEO

Yes. And I would simply like to thank you very much for joining and I appreciate all the great questions, as always. And should you have more questions, you know that our IR team are more than happy to answer them. So, thank you very much. Stay safe and have a great day.