# Ørsted
# Q1 2024 earnings call
# Transcription

2 May 2024

**Mads Nipper**

Hello, everyone, and thank you for joining our earnings call. First of all, I'm very happy to be joined today by our newly appointed CFO, Trond Westlie. Trond has strong competencies and experience from his career as CFO in several global listed companies, such as AP Moller-Maersk, Telenor, and Aker Kvaerner. I will leave the word to Trond for introductory remarks, when I hand over for the financials.

We decided to change and simplify the executive management structure at Ørsted to further sharpen the company's focus on project execution, financial discipline, and value creation. As part of the new management structure, we've established a new commercial organisation under the leadership of Rasmus Errboe, who is appointed Deputy CEO and Chief Commercial Officer. And a lot of you have, in the past quarter, met with Rasmus, in his capacity as interim CFO.

At the same time, Patrick Harnett, who was heading our European offshore construction portfolio, and has been responsible for the construction of Hornsea 2, has been appointed new Executive Vice President and Chief Operating Officer. Going forward, the Ørsted Group executive team will consist of Rasmus Errboe, Trond Westlie, Patrick Harnett, Henriette Fenger Ellekrog as CHRO, and myself.

Our annual general meeting on March 5th also led to changes with new chairmanship of our board of directors, as a previous Vice Chair, Lene Skole, stepped up and replaced Thomas Thune Andresen after ten years as Chair, and our now ex-interim CEO, Andrew Brown, has been appointed Vice Chair.

We've been off to an encouraging start to 2024. On the back of our updated business plan, which we presented at the beginning of February, we have made good progress in regard to executing the plan, and we have reached a number of important milestones. And let me take you through the most significant.

First of all, our 924 MW Sunrise Wind project has been selected for an award in New York's fourth offshore wind solicitation. I will cover the project and the path forward in detail on the next slide. We have submitted a bid into the Taiwanese round 3.2 auction with our Greater Changhua 3 project. The outcome of the auction is expected during the summer. We also submitted a proposal for our 1.2 GW Starboard project into the solicitation in Rhode Island and Connecticut, where we expect the outcome in Q3.

This week, we secured licences to develop two largescale offshore wind projects off the coast of Gippsland, Victoria. The licences provide us with site exclusivity to develop the two offshore wind sites, with a potential combined capacity of 4.8 GW. We will progress the projects through site investigation, environmental assessments, and supply chain development, to be able to bid into future procurement processes, with the first auction expected to start in late 2025.

As part of our partnership and divestment programme, we have executed on two milestones. In the

US, we have divested a share of four onshore wind assets to Stonepeak, who takes on an equity ownership stake in a portfolio of 957 MW.

In our European onshore business, we continue to focus on the most value creating opportunities. In line with this focus, we have agreed to divest our onshore platform in France to ENGIE, and concentrate our build out in the UK, Ireland, Germany, and Spain. This transaction was signed this week and is expected to close during this quarter. Both transactions are aligned with the assumptions of our business plan and will serve to recycle capital to support our execution.

Let's move to project execution and the construction completion of both South Fork in the US and Changhua 1 and 2a in Taiwan. These are huge milestones that our team can take great pride in, as lots of challenges have been overcome, and the projects are the first completed utility scale offshore wind farms in each country. The final commissioning of the 130 MW South Fork project, and the 900 MW Greater Changhua 1 and 2a, is expected during this quarter.

In the first quarter, we signed a memorandum of understanding with Dillinger, the largest heavy steel plate producer in Europe, to secure access to lower emission steel plates for our future offshore wind foundations. With the agreement, we will secure supply of key raw material for our future projects, as well as executing on our ambition to use lower emission steel to decarbonise our supply chain.

Additionally, we signed a long-term lease agreement with Cadeler, securing offshore installation vessel capacity from 2027, all the way to the end of 2030. Securing long term capacity with strategic suppliers is key to us, in order to build collaboration and together manage risks and execution of our offshore wind construction programme towards 2030 and beyond. Our partnership with Cadeler exemplifies how we can provide suppliers with the clarity and scale that they need to invest in new technology and organisational capabilities.

On the financial side, EBITDA excluding new partnerships and cancellation fees for the first quarter were in line with our expectations and amounted to DKK 7.5 billion, DKK 0.6 billion higher than in Q1 of 2023. Earnings from our offshore sites amounted to DKK 6.9 billion, which was an increase of DKK 1.1 billion, compared to the same period of last year. Let's turn to slide four and a closer look at our Sunrise Wind project.

On the very last day of February, our Sunrise Wind project was selected for a conditional award in New York's fourth offshore wind solicitation. And thanks to New York's continued offshore wind leadership, this was a successful and competitive accelerated procurement that allowed our project to stay on track and help New York continue to advance its decarbonisation goals.

Following the award, we are currently negotiating the final terms for a 25 year offshore wind renewable energy certificate with NYSERDA. We expect to conclude the negotiations and sign the new OREC during this quarter. Therefore, I'm also very satisfied that the project has received its federal record of decision, and that we have taken the final investment decision of the project, based on a business case with a positive lifecycle NPV.

The project has been a 50–50 joint venture between us and Eversource. As Eversource concluded their strategic review and decided to exit offshore wind, we negotiated a commercial agreement to take over the full ownership of the project, subject to the signing of the OREC agreement, receipt of the construction and operations plan, and relevant regulatory approvals. We continue to progress the project and are advancing the onshore construction activities.

The Sunrise Wind design has been reviewed and accepted by all relevant state entities, and the project has secured project labour agreements and all major supplier agreements, including turbines, where we will deploy 11 MW turbines from Siemens Gamesa. Final federal permits, including the construction and operations plan, or COP, are expected this summer, after which we will start offshore construction with expected completion in 2026.

As you might recall from the Capital Markets Update at the beginning of February, the outcome of the New York 4 round was one of the absolute key milestones for our business plan. Following the award, we reversed part of the impairment relating to Sunrise Wind.

Let's turn to slide five, where I will give a status on our construction projects. We continue our strong focus on project execution and are working diligently to de-risk the continued supply chain challenges, to ensure that we successfully deliver on our construction portfolio. Our current emphasis continues to be the mitigation of challenges concerning monopile manufacturing and securing additional installation vessel availability.

During the first quarter of this year, we have been constructing 7.6 GW of offshore wind across our three regions. And as I mentioned, we have completed the construction of Greater Changhua 1 and 2a and South Fork and are now finalising the commissioning work.

Moving to the German programme, and the Gode Wind 3 project, where all 23 foundations and cables have been installed. Turbine installation is ongoing, and we expect to reach first power production in the coming days or weeks, and to commission the project during summer of 2024. Borkum Riffgrund 3 continues to progress on a tight schedule, primarily due to the supply of monopiles, that are experiencing continuing ramp up issues. Key mitigations have been agreed and implemented in the installation schedule. Our focus areas remain the progress around ramp up of monopile application, and potential need to secure an extension of installation vessel. The installation of turbines is expected to commence during the coming months.

For Greater Changhua 2b and 4, the final offshore construction permit application has been approved by the Energy Administration end of last year, while the offshore substation topside has reached structural completion ahead of schedule. To ensure timely delivery of the project, we are looking at numerous options to secure additional vessel capacity, in the event there is a delay of the transport and installation vessel.

Revolution Wind is progressing its execution. For the monopile delivery, the supplier has presented the project with a fabrication schedule that supports the current commissioning date towards the end of 2025. Our prioritisation right now is the two monopiles for the offshore substations, which is crucial for the power transmission. Our Sunrise Wind project has entered the construction phase, after the recent FID. We continue to work closely with the project's monopile supplies, to mitigate potential further ramp up delays. Their monopile delivery has been descoped, and two additional suppliers have filled in the remaining capacity, and they are both on track. And we have now secured installation vessels for the foundations and wind turbines, including a full replacement for the Charybdis. Lastly, in the UK, we continue to progress our 2.9 GW Hornsea 3 project, according to plan, following the FID in December last year.

In Onshore, our four US construction projects, amounting to 1.4 GW, show good progress. Eleven Mile Solar Centre, a solar and battery energy storage system in Arizona, is conducting final testing, and commissioning remains on track for the summer of 2024. In Texas, the construction of our Mockingbird solar center is going as planned, with COD expected in the second half of this year. For the two solar projects, Old 300 and Sparta Solar, all the modules are now in the US, and finally, installations have commenced. We expect COD for both projects during 2024. In Europe, we are progressing well on our approximately 200 MW construction portfolio, with COD over the coming three years.

We remain comfortable around our offshore and onshore construction portfolio, and while it contains challenges and risks, we continue to work to manage and mitigate these risks, to execute on the more than 9 GW renewable construction portfolio. And with that, let me hand over the financials to you, Trond.

**Trond Westlie**

Good afternoon from me, as well, and thank you, Mads. I'm very excited to join Ørsted as CFO and start delivering on the updated business plan, for which we will ensure the financial discipline through a robust capital structure and the investments into value creating renewable energy projects. I'm also looking forward to meeting and engaging with you over the coming months, in our investor and analyst meetings. If we go to slide six and the EBITDA for the quarter.

We are using Danish krone, so I'm not going to state that for every number. For the Group, we realised a total EBITDA of DKK 7.5 billion, excluding new partnerships. No cancellation fees this quarter. This was around DKK 600 million higher than the same quarter last year, with offshore sites being the key driver for the increase. Let me walk through the main earnings development for the quarter, compared to first quarter last year.

For our offshore sites, earnings increased by DKK 1.1 billion. This was driven by ramp up generation of Greater Changhua 1 and 2a and South Fork, higher prices on our inflation indexed CFDs as well as strong wind speeds.

On the availability side in the first quarter, we had reduced capacity on the export transmission cables at Hornsea 1. The transmission cables have experienced issues with the electrical infrastructure, and therefore been curtailed for periods of time, with high wind speeds. We are closely collaborating with the owner of the transmission cable, and as we are the operator of the assets, we have been able to quickly identify the root cause of the issue and been part of the work in remedial actions.

A similar electrical infrastructure design has been deployed for Hornsea 2, and we have had limited curtailment of the wind farm in April and may see future curtailment until the issue is resolved. We expect that remedial work will be fully completed and that both wind farms will operate up to full capacity again in the second quarter of 2024.

Earnings from our existing partnerships decreased as a result of minor adjustments to construction agreements completed in previous years. Lastly, and that means lastly for the offshore, including development cost, came in about last year's level, mainly due to costs relating to ceasing development of Ocean Wind 1 with the negative effect of DKK 157 million.

Turning now to onshore, earnings were at the same level as last year, with the ramp-up generation from new assets in operation. The weather conditions in the US in January were worse than normal and resulted in a lower generation availability during the period.

Going then to Bioenergy and others, earnings from our CHP plants decreased, due to both lower generation, and market-based spreads. Within our gas business, we saw earnings improve, compared to last year, although still a slightly negative contribution. Last year, we saw a temporary negative effect in revaluation of our gas storage, and this was not repeated to the same extent this year.

Turning to slide seven, to the left, our reported net profit totalled DKK 2.6 billion, which was approximately DKK 600 million lower than last year. Net profit benefited from higher EBITDA, as well as the net impairment reversal, as a result of the Sunrise OREC award, partly offset by higher interest rates. The tax expense was affected by the recognition of a deferred tax liability, amounting to approximately DKK 800 million, related to a tax equity contribution for our Eleven Mile project, while the underlying tax rate was 25%. So, if we look at the net profits, excluding the impairment reversal, and out of the period tax corrections, both in the first quarter 23 and 24, we delivered an increase in net profit of approximately DKK 400 million, or just short of an increase of 20%.

Going down to the ROCE, adjusted for impairments and cancellation fees, our return on capital employed came in at 12.5%, which was a decrease, compared to last year, driven by a higher capital employeed. The decrease in the reported ROCE to a negative 12.2% was primarily attributable to the lower EBIT, as result of the impairments as well as the cancellation fees. At the end of the quarter, our equity stood at DKK 83 billion. The increase was driven by the comprehensive income, as well as our hybrid capital issuance. The majority of the negative hedge reserve related to hedges with delivery during 2025.

Let's turn to slide eight. At the end of the first quarter of 24, our net debt amounted to DKK 49.9 billion, an increase of approximately DKK 2.5 billion during the quarter. Our cash flow from operating activity was positively impacted by EBITDA and release of collateral, partly offset by cancellation fee payments of DKK 2.4 billion related to Ocean Wind 1. For the quarter, our gross investment totalled DKK 7.6 billion, driven by our investments into construction of our renewable project portfolio.

Approximately DKK 700 million in divestments comes from a customary compensation to our partners at Hornsea 1, relating to the wake loss effects from Hornsea 2. When we undertake a farm down, we normally receive proceeds from the partner, based on an assumption of no wake loss effects from potentially neighbouring wind farms. However, we make a provision, at that point in time of the farm down, based on our estimated wake loss. Consequently, we compensate the partner at a later point in time when we have clarity about actual wake effects. As we have made a provision, this compensation has no P&L effect.

During the quarter, we issued a new green hybrid capital of roughly DKK 5.6 billion, partly offset by the buyback of already issued hybrids that are callable later this year. Finally, net debt was affected by DKK 1.4 billion related to exchange rate adjustments, lease obligations, as well as hybrid coupon payments. Onshore divestments that we have signed during the first quarter in the US and France were not closed during the quarter, and consequently, did not impact the numbers.

Then going up to or credit metric. The FFO to adjusted net debt stood at 19% at the end of the first quarter. Compared to last year, the decrease is driven by higher adjusted net debt, as well as lower funds from operations in the 12-month rolling period. We remain committed to our target level of around 30% in 25, and above 30% by 2026. But we highlighted at our Capital Markets update in February, that the ratio is expected to be below 30% for 24, due to the payments of cancellation fees. And I would probably like to clarify that slightly a bit on the 19%.

Because when we are paying all the provisions, hopefully during the year of 2024, this 19% will likely decline somewhat, relative to that this number is the last 12-month figure. And as a result of that, that number will come down, and also as a result of that, if we assume payments within 24, the last 12-months in 25 will not come up to the level around 30%, until the end of the year. Slightly complicated, but at least that's how we foresee these numbers to move going forwards.

Let's then turn to slide nine. For the first quarter of 2024, our taxonomy aligned metrics were in line with expectations. Renewable share of energy came in at 97%, compared to 89% for the same period last year. The development was primarily driven by a ramp-up generation in offshore, higher wind speeds, and larger share of generation from sustainable biomass, as well as lower coal-based generation.

Our plans to phase out coal-based generation during 2024 remains on track. And in March, we achieved a significant milestone, as we, for the first time in Ørsted's history, did not have any coal usage at our CHP plants.

On safety, we regrettably do not see a performance, which is up to our expected standards. We have seen more recordable injury for both our own employees, and contractors. To strengthen the safety awareness, and improve on the general safety performance, safety days will be carried out at Ørsted locations during this quarter. In addition, the supplier safety day for the most critical suppliers will be hosted, and a programme to improve safety leadership on all levels for the organisation is initiated.

Going finally to slide ten on our guidance. Our financial development for the first quarter is in line with our expectation, we reiterate our full year EBITDA guidance of DKK 23 billion to DKK 26 billion for 2024, as well as our gross investment guidance of DKK 48 billion to DKK 52 billion. And to round this off, I am just going to quote Mads statement in our quarterly report, and say that all in all, we are off to an encouraging start for 24, and on our way to deliver on the targets that we presented in February. So, with that, we'll open up for questions. Operator, please.

## Q&A

**Harry Wyburd, Exane**

Hi, everyone. Thanks. It's Harry Wyburd from Exane. Firstly, congrats to Rasmus, Trond, and Patrick, and hello, Trond. I'll just keep it to one. Can I ask about these Hornsea 1 and 2 curtailments that you mentioned. So, how much of an earnings impact did those have, or how much of an earnings improvement can we get, when they're fixed later in the year? How much is it going to cost to fix them? And how sure are you that they will be fully fixed? Thank you.

**Mads Nipper, CEO**

Thanks a lot, Harry. We are not going to give you the specific number, but it is one that, as you can see, does not move the fact that we have delivered a quarter as expected and with higher offshore earnings, and one that does not, in any way, impact the full year guidance.

We are going into a low wind quarter now, and given that, as mentioned, this is a transmission issue that only has an impact at the highest loads, then this is something where we expect that the additional impact will be minimal, and we have a high confidence that we will be able to fix it. The costs are not high. It is expected to be a relatively simple fix, but we will continue to monitor the development, to ensure that it is fixed, and we will do that during Q2.

**Ahmed Farman, Jefferies**

Hi, and thank you so much for taking my question. I just wanted to ask on the slide where you outlined the projects and the project timelines. If I just look at the commissioning dates, they haven't really changed, since you last gave us the update. I just wanted to ask if there is any additional colour you can share on the progress that you've made over the first quarter that either enhances your confidence on the deliverability on these targeted timelines, or if there have been any developments, which mean they somehow have reduced visibility in a meaningful way? And I'm specifically thinking here about Revolution Wind, Greater Changhua 2b and 4, and Borkum Riffgrund 3. Thank you.

**Mads Nipper, CEO**

Thanks a lot, Ahmed. The short answer is that no, there has not been any material movement. As I mentioned, maybe the most specific example of a decision already made to make further de-risking is the now full chartering of a vessel, instead of Charybdis, where, at the Capital Markets update in February, we shared that we had done a full descoping of Revolution, and partly of Sunrise.

Now we have taken the decision, and secured capacity for an alternative vessel, and therefore, will not be using Charybdis at all, which is a further de-risking. On Revolution, the plans are unchanged, the schedule is unchanged. As we said, we are prioritising the two offshore substation monopiles, and we are working to ensure that any slippage of monopile delivery is something that will be mitigated by extension of vessels. And that goes for both Borkum 3 and that goes, also, for Revolution and Changhua 2b and 4. But no material changes to the outlook of the commission dates, they are not getting any closer, but also, nothing that makes us materially concerned that they have been pushed further.

**Kristian Tornøe, SEB**

Thank you. I actually have a question on the same topic, so maybe more on Borkum Riffgrund 3, to understand the situation around the monopiles, and your commentary around securing further vessel capacity. So, in case you need more vessel capacity, who will carry that cost? Because it sounds like such an issue will be driven by your monopile supplier being delayed.

**Mads Nipper, CEO**

Thank you, Kristian. This is right. We continue to follow this very closely. And what we are very happy to see is that that the actual production of the monopiles from our key supplier for three of our projects has stabilised. So, now the planning becomes safer. And what we are now doing is we are ramping up on the capacity to do the actual coating of those, which is, everything else being equal, a simpler process to do. So, we actually do expect that the predictability of those deliveries will continue to be more visible in the coming months.

The most important thing we focus on right now is to ensure that that additional potential vessel capacity is available. And it is, generally. So, now it's a matter of deciding will we then pull the trigger of actually securing that capacity, if we need to do that, in order to secure the option.

The cost is generally borne by us, the LDs that we can impose on the suppliers will not cover at least the majority of that. So, generally, it is something that is borne by us, but bear in mind that already at our CMU (Capital Markets Update), we mentioned that there were increased contingencies to cover things like this. But it is correct that in some cases, for example, with a full descoping in the US project, that that has come with an additional cost on Capex, but nothing that makes us concerned, in relation to the targets of the plan that we presented.

**Kristian Tornøe, SEB**

And can you comment, because obviously, as you mentioned, the situation around the return impact on the US projects, we have discussed several times, but on the European projects and Borkum Riffgrund 3, the sensitivity to the value creation, considering the remaining risk, how should we think about that?

**Mads Nipper, CEO**

We don't comment on the project specific returns, but this, with the knowledge we have right now, is nothing that materially impacts the return of the projects.

**Deepa Venkateswaran, Bernstein**

Thank you. This is Deepa Venkateswaran from Bernstein. Two questions. One is, could you give us an update about how the farm down process is going? I think today in an interview, Mads, you mentioned about farming down Sunrise Wind. So, could you maybe comment about that? And then what's also happening in Taiwan. I presume that the exclusivity with Cathay had expired. So, could you update on that? That's my first question.

And the second one is in terms of the auctions you've participated in. Clearly, your ambitions for the US are now lower. So, I'm just wondering what the timeline for the US Starboard project might be if you win that. And then can you confirm if Hornsea 4, you've put the project in the AR6 or not?

**Mads Nipper**

Thanks a lot, Deepa. I forgot to press the button, apologies for that. Progress on the farm downs is generally going to plan. We are satisfied with the progress we have seen. And although we don't comment on individual transactions, the one exception that we have to that is we are still happy to confirm that with the progress we have in Taiwan on Changhua 4, we are still expecting to sign and close that during this year. And also, seeing the progress with our partner, Cathay, that we are hoping for.On Sunrise, it is too early to say specifics about timing of that. We are preparing for that, but we do not have the exact timing for that yet.

On the auctions, the two options where we have confirmed that we have bid is in Taiwan. And then also to your point, with our 1.2 GW Starboard project in the northeast, we bid into Rhode Island and Connecticut, because we believe that they offer the strongest framework for risk protection and COD flexibility, which was a critical part of our operating model. And we do expect the outcome of that during Q3 of this year. And then specifically on Hornsea 4, not much to comment on that, except that we can confirm that it is eligible to bid into allocation round six, but not with a decision of whether to do so or not just yet.

**Deepa Venkateswaran, Bernstein**

So, if you win the US project, would you not be exceeding your targets for the US? Or do you think this is a much later in the decade kind of a project, if you do win in the US?

**Mads Nipper**

No, this would be, with all possible likelihood, for a post 2030 COD. And COD flexibility was one of the key criteria we assessed, when deciding where and with what to bid in.

**Alberto Gandolfi, Goldman Sachs**

Thank you for taking my questions. I have a question and a curiosity. The first question is, can you give us an update on what we might expect this year, and maybe the first half of next year, in terms of divestments, farm down announcements, as this is a key component of your strategy? I suspect you're going to focus mostly on completed projects, so I wanted to ask you if you still see interest from potential buyers? If you are seeing buyers out there, what are your expectations, in terms of how liquid the market may be? I don't know if you can mention any specific assets.

The curiosity, I'll be very brief here. I haven't heard you mention anything about data centres, AI, which seems to be a very key topic, particularly in the United States. And I was wondering if you have had any thoughts on how this might impact your business long term? We saw, last night, a 10 GW PPA from Microsoft, probably, I think, the biggest ever, and I was very curious if you have been having any thoughts on that. Thank you so much.

**Trond Westlie, CFO**

On our farm down progress, we are continuing, as we have planned. And what we actually see in the market is that even though the pricing of the assets has been lower, due to the fact of the interest rates, and how that has developed in the last 24 months, we see a slightly better market, relative to, and also, interest, in that regard. So, we're still on plan, and we're not commenting on the different assets. We're not going to do that. We're not commenting on the plan, as such. But slightly positive vibes, relative to how it was in February, but we're still on plan, and we're also thinking alternatives, as always has been the case, on the targets that we have put in place.

**Mads Nipper, CEO**

And let me comment on the data centres in AI. But also saying that, supplementing Trond, that I think that generally, what we see is that the appetite, not least for the larger infrastructure funds, on quality assets is going quite deeply. So, that's a really positive sign for the PDP plan that we have, indeed.

On data centres and AI, you're absolutely right, we are excited about that opportunity. It is not a new thing, bear in mind that of all the corporate PPAs, the tech sector, with a really large offtake, like AWS, Meta, Microsoft, and Google, those are already the biggest sectors we have on the corporate PPAs, and it is to the tune of 2 GW that we have sold both from offshore and onshore.

And we are excited about this, both because it's a very high growth in demand, but also, because it is companies that generally are very committed to the transformation of the footprint, and that means that it would be a very targeted increase in renewables. So, already a big sector for us, probably a double-digit percentage of our offtake already. And one that that also lends itself particularly well to offshore, because if we could do these data centres close to the node of the access point of offshore, then this is something that can offer high loads of attractive power. So, something we will certainly dive into, both in Europe and the US, to look at that opportunity, and how to monetise that best.

**Casper Blom, Danske Bank**

Thank you very much, and welcome onboard, Trond. I just have a question regarding this week's announcement about you getting licences in Australia. As far as I know, Australia is a rather immature market for offshore wind, and there's no real supply chain, etc., as things are today. And what I would really not like to see is a repetition of what has happened in the US over the last years.

So, how do you secure yourself, when you now start to be involved in a new emerging market, and probably don't want to spend too much money on something that is still a bit uncertain? If you could maybe elaborate a little bit on your thoughts on these new market interests.

**Mads Nipper, CEO**

Happy to do so. This is not a market where you should be concerned that we will end up in a US situation. Because we have learnt, the entire industry has learnt, that it is certainly a challenge to build a new industry entirely from scratch. And I think both we, and the entire industry, are taking those learnings. We do think it is really important for companies, like ours, to build a long-term opportunity pipeline.

And we do see Australia as a long-term opportunity in offshore. Specifically, this is an area, where, for example, the grid connections, due to decommissioned coal power plants in the area where we would likely interconnect, a lot of the infrastructure is already there. But we will go there with very open eyes, as to what are the risks that would come with an entirely new market, and also, potentially building a new supply chain there. So, it's not something we will jump onto. We will take a risk-based approach, but we do firmly believe that the long-term potential of the Australian offshore market is attractive.

**Casper Blom, Danske Bank**

If I may just follow up. With this still being early days, and there are still several hurdles to climb, before this potentially becomes a firm project, how much capex or investment would you have to do to build such a pipeline in Australia, if you can put any numbers to it at all?

**Mads Nipper, CEO**

I can't put numbers on it, but it's a limited amount. The process for getting this is one where we will do some site investigations, but this is limited devex only.

**Rob Pulleyn, Morgan Stanley**

Thank you. Good afternoon, everyone. Lots of the questions have been asked already, but I just had one extra one on the supply chain if I may. Given the news from the New York 3 auction that developers' bids were contingent on a future turbine model, may we ask what turbine size Ørsted is assuming in its bids that you mentioned in Taiwan, in the US for Starboard, and in the UK, if you were to submit Hornsea 4 of course? Or at least, if you could clarify whether it's an existing model, rather than a future model pending. Thank you very much.

**Mads Nipper, CEO**

Rob, the answer is going to be the latter part of it. We can confirm that this is not on a future model that we're hoping will be there, but on a technology platform that is already well under development. So, no new and coming technology platform with big uncertainty.

**Mark Freshney, UBS**

Thank you for taking my questions. Firstly, Mads, I know, we've spoken about this before, but on the supply chain, a lot of marginal players' projects have now exited, players have pulled back ambitions. How are you finding the discussions with the supply chain on availability of resource? You spoke about finding two extra vessels, but how do you find that? And secondly, just on the US elections. One, your problems in the US can probably be traced back to defunding BOEM four or five years ago, five years ago now. How are your projects under construction protected, if a future President decides that they're going to intervene? What is the risk there, and what's the advice that you've received from your lawyers?

And just finally, if I may, on cost reduction. You can see, from some of the numbers, costs have come down pretty substantially. Is there any number that you can give for how you're progressing against your cost out plans, and how much fixed cost has been taken out of the business? Thank you.

**Mads Nipper, CEO**

Thanks a lot, Mark. On availability, let me start by saying the importance of continuing to secure long term capacity is still there. And that's also why we explicitly, in today's introduction, mentioned that signing the four-year agreement with Cadeler on installation vessels, and also, the availability of heavy plate steel for foundations, is something that remains really important, and something we will continue to do with our most strategic suppliers.

Generally, we do see that the availability, also because in the last several months, we have had intense discussions with the vessel suppliers, and therefore, we are generally seeing that the vessels for backup, for example, with a slightly prolonged installation schedule, are available. So, we are not seeing the same tightness as we experienced, for example with Ocean Wind 1, where there was simply no vessel capacity available. That does not mean that it is not tight. It is. It is still, generally, a tight supply chain across offshore, and especially some capacity groups. But we are seeing that the opportunity to, for example, extend lease agreements, are better.

On the US risks, yes, you're right, there are certainly risks that we are very explicitly handling. And most importantly, to ensure that we have all permits in place, which we feel comfortable we will. So, for our existing portfolio, only the COP for Sunrise is outstanding, and that is expected over summer of this year. And that is the only thing that we will need, in principle, from the federal agencies, including BOEM, on that existing portfolio. So, that risk should be limited.

But let me also just generally say that it is very clear that offshore is becoming an increasingly bipartisan industry. And this is, despite some of the rhetoric, this is being recognised that this is a very high joint priority for both blue and red states for job creation. And we do see, and being recognised, that an offshore is creating jobs, both in Texas, the Carolinas, and on Gulf Coast, in general. And these are some of the things that we are trying very hard to make visible.

On our new bid, so on Starboard, which we put in, one of the reasons, to the question from before, to focus so much on COD flexibility, in terms of timing, is exactly to be able to absorb potential extended delays in permitting, which we don't hope nor believe, but it is something we have prepared for, should it happen again.

**Trond Westlie, CFO**

On the cost takeout side, we have, of course, started our programmes, relative to take out the 800 job reductions that we stated in February. During February, March, approximately 250 people have been made redundant. And the programmes we have during the year is actually to execute on most of it. So, the cost effect is, of course, not going to come in 24. It will come in 25 at the earliest. But we do see progress on this, and we, at least, have clear goals to do a leaner and more efficient organisation, and we are en route to delivering on that.

**Mark Freshney, UBS**

Thank you. And if I can just have a follow-up. Would we expect any one-time charges below the line for this cost reduction programme? Or is it all being absorbed in the continuing EBITDA line?

**Trond Westlie, CFO**

Well, we haven't come that far to actually define that element yet, so the project hasn't come that far yet. So, whether it's going to be a single line or one line, I don't believe, at least, how significant that number is going to be. We will be transparent when we know.

**Jenny Ping, Citi**

Hi. Thanks very much. A couple of questions for me, please. With regards to the wake effect, there have been a number of times that you've actually charged cash for the assets that have been sold. So, can I just ask, of the DKK 17 billion provisions that you've got on your balance sheet, how much of that is actually related to potentially providing a future wake effect? So, that is my first question.

And the second one, just going back to the OFTO assets for Hornsea 1 and 2. Can you just help us to understand the specific issue? Is it design? Is it the product, itself? Or actually, thinking back at the time of the IPO, I think a lot of the OFTO discussions were taken off the table, in the sense that it was the OFTO that bears any operational risks associated with the transmission cable, itself, and you get compensated for that. So, can you just clarify where we are on that compensation process? Thank you very much.

**Trond Westlie, CFO**

I'm not quite sure if I managed to... It was a bit hard to actually hear you so. But what I understood was how much we have a wake loss provision, relative to on the total provision of the 17 billion Was that correct?

**Jenny Ping, Citi**

Yes. Relating to the wake effect.

**Trond Westlie, CFO**

Relative to the split of the provisions, we're not going to disclose the elements of that, because that will be difficult. But when we take all those provisions in both of the cancelling provision, as well as all the other provisions, we think, as a general comment, we are well covered, and progress has been made on many of the smaller issues, as such.

But when it comes to that, we have evaluated that, and we will have that taken into consideration. And I can't say more than just that. On the payment of the provision, we've done DKK 2.4 billion this quarter, and we have a bit of the medium element. And we've retained that our provision is sufficient, as we see it now.

**Mads Nipper**, **CEO**

And to your question about the OFTO asset, Jenny, unfortunately, given that we are not the owner of that, there is a limit to how much detail we can give you, but it is about the electrical infrastructure design. But because we are the operator of that, we know the issue very well, and have also supported actively to ensure that the remedial action, which is being implemented here, in Q2, is something, which we feel confident about. So, we know it well. It is something, where we also know about the technical solutions that are being put in place. Unfortunately, as opposed to those in continental Europe, there is no such thing as a compensation for outages on availability that's being offered from the OFTO to the owner of the generation asset, also, so this is not something where we can expect compensation from the OFTO.

**Marc Ip Tat Kuen, Berenberg**

Hi, guys. Thanks for taking my question. Just one from me. It's on Greater Changhua 2b and 4. On slide five, there's a comment there, which says, assessing options to secure additional vessel capacity. I just wanted to check, is that to stay ahead of schedule, or is that required to keep the project on track, or is that just as a backup capacity? Thank you.

**Mads Nipper, CEO**

Thank you, Marc. That is as a backup capacity. So, this is to ensure that we are proactively prepared for if there is any slippage in the supply of components. This is not something that is decided yet, and not even deemed whether it is necessary yet, but it is to ensure that should there be any of those events that might materialise, we are prepared, and can extend that installation window slightly. So, it's a backup.

**Dominic Nash, Barclays**

Good afternoon, and thank you for taking my questions. I've got a couple, please. The first one is on the capital cost of offshore wind and following on from Mark Freshney's question on supply chain potentially loosening, as ambitions of the players fall. I'd like to have a view on what your thoughts are on whether the peak pricing for offshore wind has been reached. Whether we're in a deflationary environment, and whether we can have some sort of ballpark figure for what an offshore wind farm ex-transmission costs around the world. And the second question that I've got is on Revolution Wind. I see you're going to start construction proper later this year, but can you just give us some colour on the court case that I believe is blocking construction of Revolution?

And how and when we think that that is going to play out, and at what point does the 2025 COD date need to be moved back? Thank you.

**Mads Nipper**

Thanks, Dominic. So, on the cost of offshore wind, as you know very well, it very much, of course, hinges on where the interest rates go, because the cost of capital, if that actually does go down, that will be directly reflected in the future solicitations that will be there. I don't think it's possible to say whether there's a peak in pricing, but it is a fact that supply chain inflation is a lot less steep than where we came from. But it is still too early to say whether that is flattening, or even deflationary. But we do see a much flatter inflation. So, I'm not going to give you any specific numbers about what it costs to build the generation assets around the world, but we do expect, clearly, that the increases will be lower, but it's impossible to say whether they have peaked yet, and on the way down, as that will hinge, very much, on the macroeconomic factors, and the rates, specifically.

On the Revolution court case, thanks for asking that, because nothing is being blocked. There was an attempt, as you know, the American legal system allows for these to happen, and there are several across the industry. There was an attempt to make an injunction against the Revolution construction process. That was rejected on April 30th. So, there is nothing blocking this, and we have got a new biop (biological opinion) so the new permit that fully customary was opened to after review, and now we have got again. So, we are awaiting the last formalities of the permits, and those should be here very short term, then we will start offshore construction.

**Louis Boujard, ODDO BHF**

Thank you. Good afternoon. Maybe two question from my side. The first one on the onshore. Regarding the pipeline, you have a lot of under construction assets, notably in the US and very limited in Europe. I was wondering, because we don't have that much visibility on the pipeline and this development, if you plan to keep on having a strong foothold in the US going forward, and if you plan that this remains larger than in Europe or if you plan to rebalance it a little bit in the future on this end?

And then my second question is on the Danish tender. It is pretty large, 6 GW, even if it's not tomorrow, by 2025, but it's 6 GW. I was wondering, because it's a bit different than the normal ones, and it's your home market, of course. Do you have any specific developments that you plan to tender here? And do you think that this can be available by 2030 to reach your 2030 target, as well? Or is it already too late for that, and it will only be delivered after 2030? Thank you very much.

**Mads Nipper, CEO**

Thank you, Louis. Shut me up, if I'm answering a different question. I thought, on the first question, when you talked about the pipeline in Onshore, and the opportunities in US, versus Europe, clearly, the US will remain our biggest onshore market. We do have a pipeline, and one where we also see several attractive opportunities, and also, we are quite excited about some of the opportunities that are in combined generation and storage. So, we're working on that, both on the development side, but also, looking at if there are project specific opportunities for acquisition.

Europe, there are many, much smaller, in the pipeline. We have a strong pipeline, as you are aware, both with Brookfield Renewables, but also, Ostwind that we acquired in Germany, and that is now what we have left from that one. We do have an attractive pipeline, but it is many and much smaller opportunities. But we feel confident that we have a strong and attractive pipeline in Onshore in both regions. And I'm hoping that I'm addressing the issue that you raised.

On the Danish offshore tender, you are right, that is big. It is 6 GW minimum, and with over planting, it can likely be bigger. It is one where we are studying intensely the details of the tender material. There has been a good market dialogue between the industry and the government, but it is too early to say something firm about how we evaluate the attractiveness of this tender, compared to other opportunities around the world. On the timing, yes, you're right, it is tight, but it is not our privilege to deem, at this stage, whether this is something that is realistic or not.

**Casper Blom, Danske Bank**

Thank you. I just thought I would take the opportunity, and I wanted to check if there's any update on the potential reuse of equipment from Ocean Wind, and maybe also from Skipjack. Thank you.

**Mads Nipper, CEO**

Not a lot of update, Casper. We do continue to mature those opportunities, and as we said before, by far, the biggest one where we have strong reason to believe there is a reuse opportunity on export cables, we also see that on vessels. So, we continue to work, but on the bigger scopes, it is primarily in export cable and vessel. Nothing that, at this stage, changes the overall provision. We still feel comfortable that what we have set aside is what is realistic that we are executing on.

**Mark Freshney, UBS**

Thank you. Hello again. Can I ask on the CCUS facility that you're constructing in Copenhagen, there's no commentary in the results on that. How is it progressing so far?

**Mads Nipper, CEO**

Thank you, Mark. That is progressing well. As a reminder, we are building on two sites, so the Asnæs and Avedøre power plants, we are working with Aker Carbon Capture and Northern Lights as our key suppliers. And even though this is the first of its kind, it is progressing to plan. And as of now, we have no reason to believe that we cannot keep the COD deadlines of starting to catch carbon in 2025.

**Dominic Nash**, **Barclays**

Hi there. A follow-up question from me. Over the 2024 year to date, I think the valuations of most of your renewable peer groups have fallen quite hard, clearly, Ørsted has done relatively well. But the question I've got here is that when you're looking at building and developing pipelines, are you also comparing whether it might potentially, in today's world, be better to buy, rather than build? Or is that something that's completely off the table? Thank you.

**Mads Nipper, CEO**

Our business is to develop, build, and operate wind farms and renewable farms, and this is what we do best. And we would, with the exception of projects, for example, in onshore, where we do buy and further develop, we are focused on developing, building, and operating. So, for example, acquiring assets or platforms within our core business offshore is, at this stage, not a priority, whereas you have seen in onshore, it's different. We bought two platforms, and also, from time to time, are acquiring projects. So, two different approaches, but nothing we have any immediate plans to change.