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FPS Economy, S.M.E.s, Self-employed and Energy



# **Public consultation on the offshore wind tender for the Princess Elisabeth Zone**

19/01/2022

## Context

To maximize Belgians' own renewable electricity production, the federal government decided to increase the capacity of offshore wind installations in the second zone, the Princess Elisabeth Zone to a range between 3,15 and 3,5 GW. Together with the existing offshore wind farms, the total offshore wind capacity in Belgium can as such increase to 5,8 GW by 2030, almost tripling the current offshore capacity. By 2030, around 25% of our electricity production can come from the Belgian North-Sea, saving in total 8,6 million tons of CO<sub>2</sub> per year. A first phase of 0,7 GW is to be installed by 2028 and the remaining 2,1 GW is to be taken into service by the end of 2029.

You are herewith cordially invited to participate in this public consultation concerning the tender procedure and the conditions to grant domain concessions for the development of the Princes Elisabeth Zone.

The goal of this consultation is to receive feedback from the sector and all stakeholders on the proposed criteria for the tendering process of the Princess Elisabeth zone. It is meant to trigger inputs of all partners involved: market players, environmental organizations, citizens and others, in order to develop a robust proposal for the tender. Additional input on elements that are not included in this document is also welcomed.

Practical information:

- This consultation will start on the 20<sup>th</sup> of January 2022 and end on the 18<sup>th</sup> of February 2022.
- Reactions are to be submitted per e-mail [offshore.energy@economie.fgov.be](mailto:offshore.energy@economie.fgov.be)  
The specific template is to be used.
- If the respondent considers that its reply contains confidential information, such information must be accurately and unambiguously marked as confidential in its reply. The reply shall also indicate the reasons for the confidentiality and the potential harm or damage which the respondent feels could result if the confidential information were to be published. If the respondent (other than a natural person) considers that it has a valid reason for not having its name disclosed, it shall motivate this in its reply.

The personal data collected will only be used for the purposes of the present consultation. More information on the processing of your personal data can be found in our privacy policy: <https://economie.fgov.be/en/privacy-statement>

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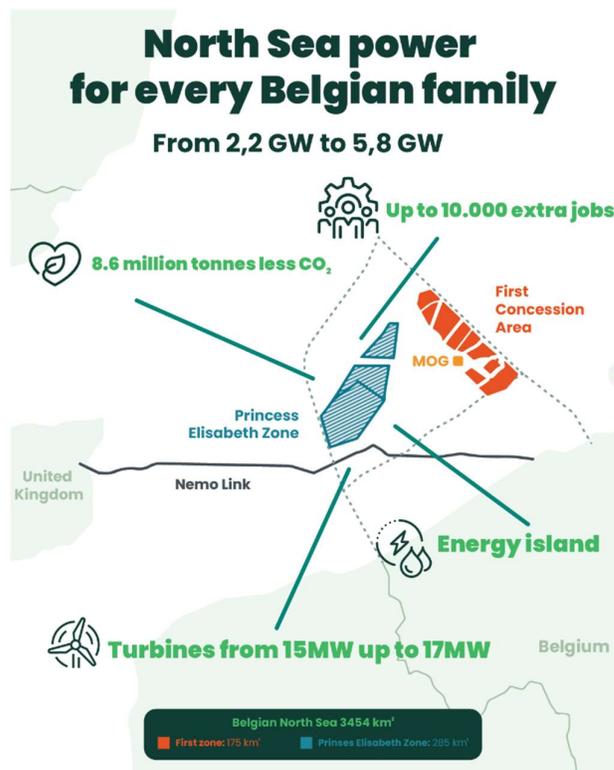


# 1. Introduction

## i) Offshore wind in the Belgian energy vision

The federal government fully supports the European Commission's ambitions to reduce greenhouse gas emissions with 55% by 2030 and to achieve climate neutrality by 2050. 100% renewable energy supply in 2050 coming from renewable electricity, interconnections as well as from renewable molecules is feasible<sup>1</sup>. Wind (and solar) energy are becoming cheaper and they ensure a sustainable energy supply for the future. The costs for offshore wind energy has decreased significantly, with 44% over the last 10 years, down to 45-79 EUR/MWh in 2019.<sup>2</sup>

To maximize our own renewable electricity production, the federal government decided to increase the capacity of offshore wind installations in the second zone, the Princess Elisabeth zone to a range between 3,15 and 3,5 GW. Together with the existing offshore wind farms, the total offshore wind capacity in Belgium can as such increase to 5,8 GW by 2030, almost triple the current offshore capacity



<sup>1</sup><https://climact.com/wp-content/uploads/2020/04/Scenarios-for-a-low-carbon-Belgium-by-2050-brochure-2050-ennew.pdf>

<sup>2</sup> [https://ec.europa.eu/energy/sites/ener/files/offshore\\_renewable\\_energy\\_strategy.pdf](https://ec.europa.eu/energy/sites/ener/files/offshore_renewable_energy_strategy.pdf)

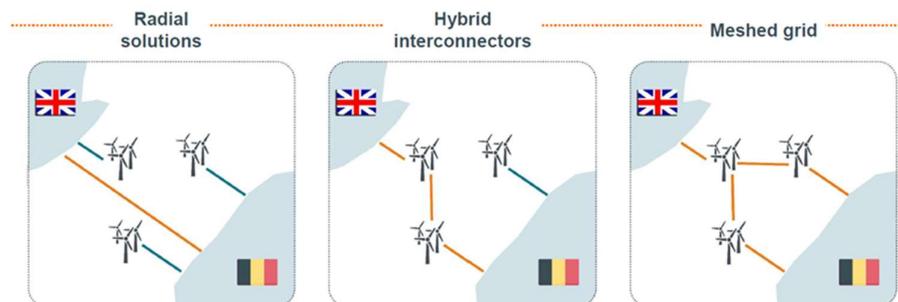
## ii) European Offshore Strategy

In the Offshore Renewable Energy Strategy<sup>3</sup>, the European Commission unequivocally confirms that offshore renewable energy is one of the most promising routes to increase future power generation in a way that meets Europe's climate neutrality objectives and expected rise in electricity demand in an affordable manner. Europe's oceans and sea basins hold a vast potential, and the North Sea specifically has an enormous potential thanks among others to shallow waters, localized potential for wave and tidal energy and a solid regional cooperation.

The European Sea basins have the potential to become the renewable power plant of Europe, with a total potential as large as 300 GW by 2050. To reach these powerful ambitions, the European Commission asked Member States to increase their commitments in terms of installed capacity.

In order to connect vast amounts of offshore renewable energy to shore in a cost efficient and sustainable way, rational grid planning and ultimately, the development of a "meshed grid" are considered key.

Evolving from a more traditional way of offshore grid development, where most existing offshore wind farms have been deployed as national projects connected directly to the mainland via radial links, particular attention has been given over the last years to so-called hybrid projects. In such hybrid projects, the grid has a dual functionality combining electricity interconnection between two or more Member States, and transportation of offshore renewable energy. Hybrid projects can be set up in multiple ways, including via energy islands.



Source: Elia<sup>4</sup>

Embracing this forward-looking vision and convinced of the benefits this will bring in terms of cost efficiency and environmental benefits, Belgium intends to act once again as pioneer by building the first energy island in the North Sea, which will act both as a grid access for offshore wind in the Princess Elizabeth Zone, as well as an interconnector access point for future interconnection. On 23 December 2021, the federal government principally approved

<sup>3</sup>[https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_2096](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2096).

<sup>4</sup>[http://www.europeanenergyforum.eu/sites/default/files/events/doc/eef\\_27\\_05\\_elia\\_group.pdf](http://www.europeanenergyforum.eu/sites/default/files/events/doc/eef_27_05_elia_group.pdf)

the design for the extension of the offshore grid for the Prinses Elisabeth zone, based on the energy island that foresees the connection of 2,1 GW via 3 AC substations and the connection of 1,4 GW via a HVDC station.

### iii) Legal background

In accordance with the Belgian Electricity Act of 29 April 1999 on the organization of the Belgian electricity market (“the Electricity Act”), the federal government will launch a tender procedure to grant a domain concession for the construction and operation of offshore wind capacity in the Princess Elisabeth zone. The selected bidder will automatically be granted all necessary permits, based on its project proposal.

The relevant domain concession can be granted for a maximum period of 30 years, including the construction, operation and decommissioning phases, in accordance with Article 6/3, §2 of the Electricity Act.

The Electricity Act (Article 6/3, § 3) states that the tendering procedure and conditions regarding the domain concessions are determined by Royal Decree, detailing specifically:

- i. Specific rules of the tender and the equal treatment of all candidates;
- ii. The pre-qualification criteria, among others based on technical, organizational, financial and professional capacities of the bidders;
- iii. Objective, non-discriminatory and transparent selection criteria;
- iv. Rules on the contractual relationship between the selected bidder and the government, defining rights and obligations;
- v. Rules on the governance of the domain concession;
- vi. Rules on the start and duration of the domain concession, the construction phase, the operation and the dismantling;
- vii. Activities that can be developed aside from the production of electricity from renewable resources;
- viii. Required financial guarantees;
- ix. The implementation of citizen participation;
- x. If applicable, the support mechanism for a maximum period of 15 years;
- xi. Rules on the renunciation on the domain concession and the related payment.

In the motivation added to the act of may 12<sup>th</sup> 2019 adapting the electricity act, three possible support mechanisms are suggested as options: A variable price premium or contract for difference, zero bid and auctioning of the concessions.

## 2. Tender timing

The specific prequalification and selection criteria are being discussed in the following chapters.

The detailed timing of the tender depends on several other processes that are being executed in parallel to protect the interest of all concerned parties. Both environmental studies and technical desktop and field studies need to be completed to determine the precise conditions for the construction of the offshore wind farms. These are currently being performed jointly by the Directorate-General Energy of the FPS Economy and the FPS Health, Food Chain Safety and Environment. Aside from those studies, adequate details must be available on the specific realization of the offshore grid infrastructure. A final timing can only be expected from the transmission system operator (TSO) after all necessary permits are granted for both on- and offshore reinforcements. As was the case for the previous offshore wind zone, the timing and liabilities will be defined by royal decree once these permits are obtained.

As a preliminary timing it is currently assumed to launch a tender for the first phase by the end of 2023 with the aim of appointing a selected bidder by latest beginning of 2025. The bidders will have 9 months to prepare the bids. For the first phase, the final take-over date<sup>5</sup> should not exceed 42 months after the announcement of the winning bid. Therefore, the envisaged installations will need to be delivered mainly in 2027.

Subsequent tenders for the second and third phase are currently planned to be launched in Q2 2025 with the aim of appointing the selected bidders by mid-2026 at the latest. The envisaged installation will need to be finalized before the end of 2029.

A best estimate of these preliminary timings is kept up to date on the website of the administration.<sup>6</sup>

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<sup>5</sup> The final date on which all responsibilities related to the construction and connection of the project are transferred from the contractor to the project developer.

<sup>6</sup> <https://economie.fgov.be/en/themes/energy/belgian-offshore-wind-energy>

### 3. Support Mechanism

Upon request of the federal minister of Energy, the CREG has investigated the existing support mechanisms for offshore wind in other countries.<sup>7</sup> The CREG concluded that all investigated countries aside from the Netherlands (being Denmark, France, Germany and the UK) are using a support mechanism with a variable price premium, a so-called Contract for Difference (CfD). Denmark, France and the UK use a 2-sided CfD, while Germany uses a 1-sided CfD. In the Netherlands a domain concession is approved in a procedure without subsidy, a 'zero bid'.

Two main options for the tendering are put forward in this public consultation: zero bid and 2-sided Contract for Difference. Details on both mechanisms are included further in this section.

#### i) 2-sided CfD

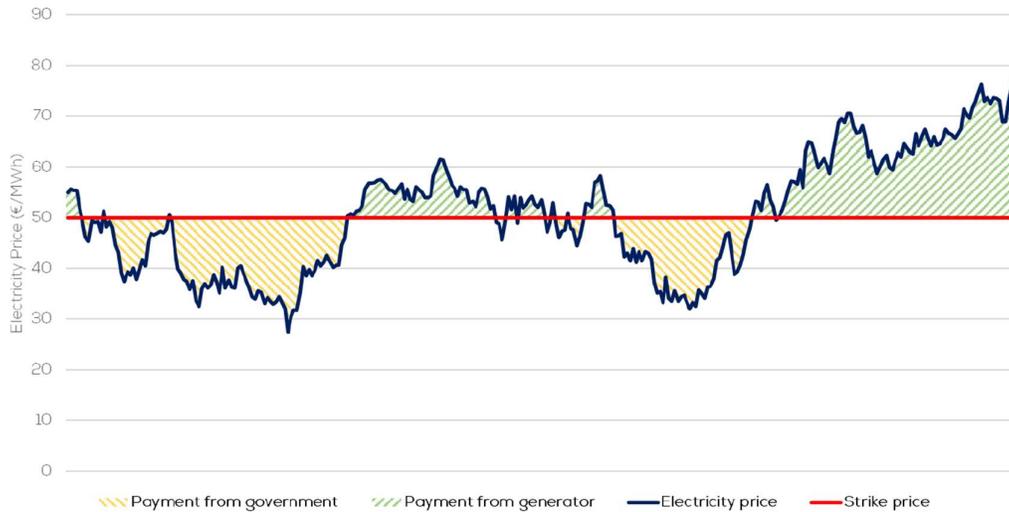
A CfD is a variable price mechanism. A first variant is a 1-sided CfD where the developer of the wind farm receives the difference between the so-called strike price and the electricity reference price. The strike price is set at a predetermined level. The electricity reference price is the price which the developer is assumed to receive on one of the electricity markets. If the electricity reference price is higher than the strike price, the developer will receive no support. *A 1-sided CfD*, as used in the tenders in Germany, can lead to a zero subsidy when the level of the strike price is situated below the actual market price. This eliminates the possibility to use the strike price of the CfD as a selection criterion.

In a 2-sided CfD, which is proposed here as an option, the developer needs to pay back the difference between the strike price and the electricity reference price, at moments where the electricity reference price is higher than the strike price.

Considering the evolution of the cost of offshore wind going down over the last decade, the aim of a *2-sided CfD* would be to stabilize the income for the wind developers, providing them with a guaranteed revenue, while not having an unreasonable impact on the budget of the government, nor of the consumers. In case the electricity market prices are higher than anticipated, a 2-sided CfD will even bring a financial income for the government and ultimately, the consumers as shown in the figure below.

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<sup>7</sup> [F2247NL.pdf \(creg.be\)](#)



Source: Wind Europe

A 2-sided CfD therefore operates as a price stabilization mechanism, where the variable price difference is calculated as follows:

- Price difference = strike price – reference price; this can be a positive or a negative number.
- Total price difference = price difference \* injected energy

This price stabilization mechanism will be financed through the excise duties, paid per MWh on the electricity bill. As mentioned, a price premium will only need to be paid to developers when the electricity market price itself is low, while in case of high electricity prices, there is a return to the society which could be used to lower those same excise duties.

Capital costs are the most important cost factors for renewable energy projects, due to a large initial investment compared to the operational costs. The way offshore wind projects are financed, and the conditions thereto, are heavily influenced by the choice of support mechanism and the duration of this mechanism.

With a 2-sided CfD, the project developer has a high degree of certainty of the income over a longer duration. This high degree of certainty substantially reduces the risk for lenders, leading to lower risk premiums on the debt. Wind Europe estimates this effect on 0,2% - 0,3% for a 2-sided CfD.

Aside from a better interest rate, there is also a larger part of the CAPEX that can be lent because of a reduction of the risk, therefore creating a larger leverage and a lower production cost of the full project.

In summary a 2-sided CfD:

- is believed to lead to the lowest financing cost and lowest production cost of renewable electricity<sup>8</sup>;
- provides society a protection against windfall profits, as developers will have to pay back in case the electricity reference price exceeds the strike price;
- allows for a large range of candidates to participate in the tender, which is needed to increase competition and lower the cost. Next to large utilities, this system allows also for smaller independent, but experienced, developers, who rely on project finance to participate;

For these reasons the 2-sided CfD is also being put forward by the CREG as the preferred option after an analysis of tendering systems in other countries<sup>9</sup>.

Besides the general principles, the effectiveness of a 2-sided CfD is determined by several implementation modalities that are discussed below.

#### *Strike price*

To estimate the strike price, a study will be ordered as a follow-up of an earlier study on the LCOE for the Prinses Elisabeth zone, executed by 3E. This study will then consider the final tender procedure and will be used to determine a maximum cap for the strike price, assuring minimum costs for the society and maximizing the potential gains.

#### *Indexation*

A partial indexation of 30% of the strike price is considered, related to the O&M portion. Doing so lowers the strike price, hence minimizing the costs and increasing the potential gains.

#### *Electricity reference price*

The reference price is proposed by the CREG to be calculated over a period of 12 months as the average of the electricity spot prices in the previous calendar year, running from the 1<sup>st</sup> of January to the 31<sup>st</sup> of December.

It is proposed here to use the spot prices of the same year and to make a weighted average of the spot prices with the offshore wind production per month. The production data can be based on the data of Elia on a monthly basis for offshore wind in Belgium.

The spot prices (Belpex) are also published by Elia on a monthly basis, meaning that the price difference can be calculated in the month following the month of production of offshore wind energy.

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<sup>8</sup> [F2247NL.pdf \(creg.be\)](#)

<sup>9</sup> [F2247NL.pdf \(creg.be\)](#)

### *Price difference - Injected energy*

The price difference is based on the produced energy multiplied by the price premium. This subsidy is calculated per month.

By linking the price difference to the energy production, there is an incentive given to the operators to maximize the production.

The produced energy is to be measured at the high voltage station before the transformers.

### *Impact in case of negative electricity prices*

If the strike price is guaranteed during all times, then there is an incentive for the offshore wind producers to keep producing even when the electricity prices, being on the spot market or the imbalance prices, are negative. These prices however give an incentive to the producers to limit the production or to consumers or storage units to increase consumption.

Therefore the aim is to find the right balance between giving enough security to the bidders to lower financing and production costs while limiting possible costs for the consumers at times when the electricity is less needed.

The CREG study<sup>10</sup> shows that in the Netherlands, Denmark and the UK, there are no positive price differences for offshore wind during hours with negative spot prices. In Germany, there is no payment to offshore wind operators for the period where the market prices on the spot market are negative during at least 4 hours. In France there is no support during the first 40 hours with negative spot prices.

Also in Belgium, a limitation for support for the current offshore wind farms exists in case of negative electricity prices. The Royal Decree of July 16<sup>th</sup>,2002 foresees that for existing offshore wind farms in Belgium with financial close after May 2014 there is no support for electricity produced during periods where the imbalance price for a positive imbalance is equal to or lower than -20 euro/MWh. This is capped to the first 288 quarter hours per calendar year where the imbalance price for a positive imbalance is equal to or lower than -20 EUR/MWh or if the day-ahead price on the exchange is lower than 0 EUR/MWh for 6 consecutive hours.

The CREG recommends for the new tender that, if the imbalance rate that applies on a positive imbalance is equal to or lower than -20 euro/MWh, no support is granted. If no cap is placed on the number of such potential 'negative hours', the wind developer will include this in his risk analysis as a cost-increasing element. In order to limit this risk, it could be considered to introduce a ceiling for the number of hours to which this measure applies, for example 72 hours. After the first 72 hours with negative imbalance prices for a positive imbalance equal to or lower than - 20 euro/MWh, the producer is compensated on the condition that he did not inject during those hours. However, the compatibility of such cap with the applicable state aid guidelines needs to be verified with the European Commission.

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<sup>10</sup> [F2247NL.pdf \(creg.be\)](#)

Another option would be not to pay out any price difference during the first 40 hours with negative prices on the spot market, as per the example of France. After these 40 hours, he receives the price difference only on the condition that he is not producing during these negative hours. The missed electricity production is then theoretically estimated. If the wind farm produces more than 4.300 full load hours, there is no price difference that will be paid during hours with negative spot prices. The advantage is that here only spot prices are used and no imbalance prices are needed.

#### *Price difference – Maximum amount of support on a yearly basis*

As the strike price is guaranteed by the government, the market risks are almost completely transferred to society. To balance this risk sharing, a maximum amount of total support costs per year will be defined and will be part of the selection criteria.

#### *Duration*

Under a 2-sided CfD mechanism, it could be considered to prolong the duration of the support from 15 years as currently foreseen in the Electricity Act to 20 years, which would provide longer-term stability to the developers, meaning potentially more interested parties, while also providing a longer-term potential pay-back for society.

## ii) Zero bid

A zero bid is the tendering system used in the Netherlands, whereby the winner of the tender does not receive any financial subsidies. The income of the project is fully subject to market prices. Contrary to the 2-sided CfD scenario, there is no price difference to be paid to the offshore wind developer and no potential shared revenue (i.e. no pay back that can generate income to invested in infrastructure or used to alleviate the energy bill).

A zero bid mechanism is significantly easier than a 2-sided CfD, as no strike and reference price, and calculation of a price difference and pay back are required.

Under a zero bid mechanism, participating parties should be willing to expose themselves entirely to the risk of the electricity market prices, implying that the cost of capital increases as the risk is also increased. In its study, PwC reports that the interviewees were concerned that it would be difficult to raise capital (project financing) for tenders without subsidy. This means that only project developers with a strong balance sheet would be able to participate in tenders. According to PwC<sup>11</sup>, their market analysis shows that the price risk exposure would pose a significant risk. If the risk is not sufficiently mitigated, for example through PPAs, several parties may drop out, reducing the available capital. This is particularly the case for more risk-averse capital providers, such as banks and pension funds. In this sense, the CREG warns in its study that in case of a zero bid, there is a risk of a lower number of bidders which would benefit large companies to the disadvantage of companies using a project finance set-up.

It is important to note that it is still under investigation which market regime will be applied in the future (Home market, Offshore Bidding zone, ...) at the moment of the installation of the meshed grid and the combination with interconnection. The application of a possible offshore bidding zone to integrate offshore electricity capacity in the Prinses Elisabeth zone will be studied by Elia ahead of the tender, with involvement of stakeholders, as Elia is willing to give a prospect as stable as possible regarding the risk.

As no price difference or other payment is paid to the offshore wind developers under a zero bid mechanism, the bidders will depend fully on the market prices and PPA's that might give further guarantees on income. These PPA's will likely focus on industrial customers considering the need for long term contracts. The price of these PPA's might also be higher than when combined with a 2-sided CfD, considering the higher risk premium that needs to be covered.

Under a zero bid mechanism, the choice of the bidder will entirely be determined by the tender criteria aside from the price, as further detailed below. This would add importance to these criteria and thus be beneficial for society in this regard. However excelling in these criteria also increases the risk for the project and will therefore be limited in a zero bid option.

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<sup>11</sup> <https://www.pwc.nl/nl/actueel-publicaties/assets/pdfs/pwc-invest-nl-financing-offshore-wind.pdf>

In case of a zero bid mechanism, the offshore wind farm could in principle participate in the capacity remuneration mechanism, established by Article 7undecies of the Electricity Act. The applicable derating factors will be taken into consideration.

## 4. Pre-qualification criteria

The Guidelines on State aid for climate, environmental protection and energy 2022 determine that support for renewable energy has to be proportionate. Competitive bidding processes on the basis of clear, transparent and non-discriminatory criteria are considered to provide a guarantee for proportionality, by limiting the aid amount to the minimum needed for carrying out the project.

Pre-qualification criteria are meant to assure the candidate is capable of a decent and timely execution of the project and hence to increase the effectiveness of the tender. At the same time, these criteria need to allow for as much market players as possible to participate in the tender and therefore, these criteria would need to reflect the strict expectations of the federal energy policy and not impose any unnecessary barriers to entry.

The CREG has in its study, upon request of the minister of Energy, investigated the pre-qualification criteria in other countries. In all studied countries pre-qualification criteria are indeed used to verify the financial and technical stability of the candidates:

### i) Technical capabilities

The technical capabilities of the bidders are important to reduce the risk of delay or non-completion of the projects.

It is proposed to follow the recommendation of the CREG to demand a proof of a technical experience of 300 MW of offshore wind energy realized. This experience needs to be proven with an active role in the project management; a purely financial participation will not suffice.

In case the bidder is a consortium, a significant share needs to be held by parties that have these capabilities and it needs to be demonstrated that these parties will be most heavily involved in the execution of this project or that they will supply a substantial part of the project team.

Additionally, there will also be a set of technical requirements regarding the grid connection to Elia, to which the Tenderer will have to prove compliance.

The adherence to this criterion needs to be demonstrated by means of a comprehensive note and the organization included needs to remain valid until 1 year after the final take-over of the offshore wind farm.

## ii) Financial capabilities

Firstly, it is proposed to follow the recommendation of the CREG to demand a proof of the financial stability of the bidders by means of a guarantee bond of 10 MEUR per 100 MW. The release of this bond would start after the completed installation of 50% of the wind turbines, in a linear way until the final release which would take place at the final take-over date, when all turbines have been commissioned.

For the first phase of the tender, this final take-over date should not exceed 42 months after the announcement of the winning bid.

By defining a sufficiently high value for this bond, strategic biddings where a risk of non-execution would exist, are avoided.

As demanding this bond will have an impact on the costs, alternative proposals could be envisaged, however they should equally guarantee the financial stability to be able to execute the project as well as a strong financial incentive to assure the timely execution.

Secondly, regarding the solvability of the bidder, the ratio of debt (excluding shareholder loans) versus total assets should not exceed 80%. This must be proven by the business plan and will be re-verified at the moment of financial close; and the bidders must own assets for at least € 75 million for 700 MW at the end of the year before the year in which the bid is submitted, or in case the bidder is a consortium, the joint assets of the three largest members (defined as largest assets) should be at least € 75 million at the end of the year before the year in which the bid is submitted. This value will be linearly adapted with the maximum installed capacity per lot size.

Both for the guarantee bond and the solvability criteria, it is proposed to exempt the share of citizens participating via renewable energy communities.

In the domain concession, an obligation will be integrated to dismantle the wind farm within a time frame of 2 years after exploitation. To secure the finances for this dismantling, a provision will need to be reserved as a value per MW installed capacity. This value can be determined in the Tender regulations and will be subject to indexation.

### iii) Other envisaged pre-qualification criteria

#### *Vision on citizen participation*

The Belgian North Sea and offshore wind belong to all Belgian citizens. The involvement of citizens and renewable energy communities as defined in the Renewable Energy Directive (2018/2001) in the energy transition is crucial for its success. Therefore, it is important to ensure the participation of citizens in the offshore tender for the Prinses Elisabeth zone.

Four ambitious goals are set for the inclusion of citizen participation:

- 1) Leave No One Behind – promoting and shaping an inclusive energy transition to allow democratic access to renewable energy sources;
- 2) An increased acceptance and active participation in the energy transition, via enhanced citizen information and awareness creation;
- 3) Promoting democratic participation via renewable energy communities to increase the involvement of citizens in the decision making process for offshore wind projects;
- 4) A financial return to society, creating a positive effect on the local economy through social innovation;

#### *Minimum of citizen participation*

A minimum percentage of 1% of the total investment cost to be ensured through citizen participation is envisaged as a pre-qualification criterion. Doing so would ensure that a minimum percentage of (i) the shares and the electricity production or (ii) loans, is in any case reserved for citizens, which will be an unequivocal lever to include citizens in the energy transition.

A detailed plan on how to achieve this participation needs to be included in the tender submission, specifying also the communication plan towards citizens that transparently sets out the risks and opportunities involved and the legal framework that applies. This minimum threshold will be evaluated 1 year after the final take-over date. In case this minimum percentage is not met at this time, a fine will be imposed, to ensure an effective deliverance of this pre-qualification criterion. If this criterion is not met, a fine of 100% of the value of the missing shares or loans will be imposed.

#### *Guarantee on minimum installed capacity*

The capacity to be installed per lot will be defined by a ministerial decree in accordance with Article 6/4, §1, of the Electricity Act. The bidder will have to demonstrate that this capacity will effectively be constructed in its project.

### *Other legal criteria*

In order to be eligible for prequalification:

- the bidder cannot qualify as a firm in difficulty as defined by the "Communication from the Commission – Community Guidelines on State aid for rescuing and restructuring firms in difficulty".<sup>12</sup> The bidder is not subject to an outstanding recovery order in the framework of state aid;
- a bidder who has not fulfilled all his obligations regarding the payment of tax debts and social security contributions must demonstrate that:
  - a) he does not have a contribution liability of more than 3.000 EUR, or
  - b) he has obtained a moratorium on the payment of such debt and strictly adheres to that moratorium.

If the bidder has a contribution liability of more than 3.000 EUR, it demonstrates, under penalty of exclusion, that it possesses one or more debts towards a contracting authority or a public undertaking which are certain, due and free of any obligation towards third parties in an amount at least equal to its debt less 3.000 EUR.

If the certificate held by the authority organizing the tender does not prove that the bidder satisfies these requirements relating to his tax and social security obligations, it shall notify the bidder accordingly. From the day following this notification, the bidder has five working days to provide proof of his regularization. This regularization can only be used once.

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<sup>12</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52004XC1001%2801%29>

## 5. Selection criteria

Further selection criteria are proposed in this section to not only focus on the price, but to maximize the positive effect of offshore wind projects on our society. Focus is on including as much citizens as possible in the energy transition, while promoting renewable energy communities. Belgium is the 6<sup>th</sup> country worldwide in offshore wind and 2<sup>nd</sup> largest if considered per inhabitant. Belgium pioneered in offshore wind and through innovation Belgium can pioneer again.

A preliminary scoring system is given in the table below, making a difference between zones located in Nature 2000 zone and those located outside of Nature 2000 zones. This to put focus on different elements and goals.

	2-sided CFD outside of Nature 2000	Zero Bid outside of Nature 200	2-sided CFD inside of Nature 2000	Zero Bid inside of Nature 200
Strike Price	70 points	0 points	70 points	0 points
Energy Production	0 points	0 points	5 points	17points
Citizen Participation	10 points	33 points	10 points	33 points
Local Benefits	5 points	17 points	5 points	17 points
Sustainability and multi-use	5 points	17 points	5 points	17 points
Nature impact	0 points	0 points	5 points	17 points
Innovation and system integration	10 points	33 points	0 points	0 points

The Energy Production is only considered for zones inside of Nature 2000, since these are the areas where we aim to give more flexibility in terms of installed capacity. This to give a maximum of flexibility to choose these turbine locations that minimize the effect on nature.

Also the Nature impact will be more important in Nature 2000 area, while zones outside of nature 2000 area are better located to test new innovative technologies.

The criteria will be described in a way to allow their transparent and objective evaluation by the relevant authority. Therefore, criteria will be described in a way to be SMART (Specific, Measurable, Action Oriented, Realistic and Timed). When input feedback on the selection criteria, SMART alternatives or feedback are particularly welcomed.

Each proposed selection criterion is further detailed below.

### **i) Strike price in case of 2-sided CfD**

The strike price and maximum yearly support will be used as selection criteria used for ranking bids and, ultimately, for allocating the aid in the competitive bidding process. The aforementioned criteria will account for 70% of the weighting of all the selection criteria in accordance with the EU's Guidelines on State aid for climate, environmental protection and energy 2022 (cfr. paragraph 50).

From this 70%:

- 80% will depend on the strike price offered, where the lowest amount will be given the maximum number of points and the other values will be linearly adapted;
- 20% will depend on the maximum amount to be received by the bidder on a yearly basis, where the lowest amount will be given the maximum number of points and the other values will be linearly adapted.

### **ii) Energy production**

In case a range of installed capacity is allowed in a certain zone, it could be envisaged to provide a stimulus to produce as much renewable energy as economically feasible and therefore maximize the use of our limited offshore space in Belgium. This can be done by integrating the renewable energy production in a selection criterion.

A study would then need to be made by the bidders to estimate the production at a P50 scenario. This yield assessment should be made by an independent party, appointed and approved by the government with expertise in the field of offshore energy yield calculations. A known calculation model should be used based on wind models, local wind data, locations, type of turbines, technical specifications including height, rotor diameter and power curves from the wind turbines.

The net electricity produced (P50) shall consider the availability of the turbines, wake effects of the turbines within the specific tender zone and electricity losses until the high voltage station before the transformers.

The highest renewable energy production will receive the maximum number of points and the other bidders will be linearly adapted.

### iii) Citizen Participation

To further promote citizen participation and the promotion of renewable energy communities further points are given to bidders that increase the share of citizen participation. Sharing the renewable energy from the North-Sea with the citizens and sharing the profits that come along with the projects, creates a mutual benefit.

#### *Forms of citizen participation*

Different forms of citizen participation exist, two of which are put forward in the context of this consultation: (i) renewable energy communities and (ii) financial participation.

##### *- Renewable energy communities*

Pursuant to the EU Directive 2018/2001 on the promotion of the use of energy from renewable sources (EU Directive 2018/2001), it is intended to promote and facilitate the development of renewable energy communities.

A renewable energy community is a concept defined in the Renewable Energy Directive(2018/2001). At the federal level, for offshore wind energy, the implementation of this concept is done via a change in the Electricity Act. A proposal is already approved by the council of ministers and is ongoing. In this proposal the following definitions are included:

*“energy community of citizens means a legal person that:*

*a) is based on voluntary and open participation and over which members or shareholders, who are natural persons, local authorities, including municipalities, educational institutions, associations, other energy communities or small and medium-sized enterprises, have effective control;*

*b) whose primary purpose is to provide environmental, economic or social community benefits to its members or shareholders or to the local areas in which it operates rather than to make a profit, and*

*c) engage in production, including from renewable sources, provide distribution, supply, consumption, aggregation, energy storage, energy efficiency services, electric vehicle charging services or other energy services to its members or shareholders;”*

*“renewable energy community means an energy community of citizens:*

*a) which is based on open and voluntary participation, is autonomous and carries out its activities within Belgium;*

*b) whose shareholders or members are natural persons, local authorities, including municipalities, educational institutions, associations, other citizen energy communities or SMEs, provided that their participation does not constitute their main commercial or professional activity;*

*c) whose principal purpose is to provide environmental, economic or social benefits to its shareholders or members, and not to realize profits;*

- d) where the renewable energy projects are owned and developed by this legal person;*
- e) regarding energy production, self-consumption, storage, sale and sharing of energy, they relate only to energy from renewable energy sources”*

For offshore wind, the renewable energy community should be dedicated to offshore energy production and is focused on an equity participation including the asset ownership and involvement in the development.

The purpose of the integration of renewable energy communities is to ensure that citizens do not only participate financially in the offshore wind projects, but that they can also get a high level of active involvement in the development, operation and decision making process of the project and access to the offshore wind electricity via for example a cooperative PPA<sup>13</sup>. This would allow citizens to benefit directly from the low cost price of renewable electricity. The ownership structure of renewable energy communities can help in increasing the uptake of renewable energy installations where individual investments are less likely, leading to democratization of access to renewable energy resources, while also contributing to the reduction of energy poverty.

During the tender phase, the bidder can reserve a percentage of shares for renewable energy communities, which will be formalized before financial close of the project. It is also allowed to reserve a higher percentage of shares to be activated at the latest one year after the final take-over date. At that time the promised percentage will be verified, taking into account an evaluation by the competent authority of the best efforts proven by the bidder.

- *Financial participation*

Financial participation is understood as a participation (potentially via citizen cooperatives or energy communities) via:

- A (subordinated) loan directly in the project;
- A (subordinated) loan or equity participation via one of the shareholders with the percentage dedicated to the project.

It will be allowed to only verify the financial participation of citizens one year after the final take-over date. The bidder will need to provide a citizen participation plan during the tender, which should allow a verification of the probability that this goal will be reached. One year after the final take-over date, the selected bidder should provide substantive evidence of all efforts undertaken to reach this goal.

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<sup>13</sup> [www.rescoopv.be/publicaties/offshore](http://www.rescoopv.be/publicaties/offshore)

### *Proposed weighing of citizen participation*

While other forms of citizen participation can also be highly valuable, and therefore may certainly have a role to play in offshore wind development, it is preferred to have at least a part of the envisaged citizen participation ensured through the participation of a renewable energy community as defined in the renewable energy directive (2018/2001).

In total, two targets are put forward:

- 1) 4% of the total investment cost (equivalent to about 20% of the equity in project finance) of citizen participation, both via financial participation, as well as via renewable energy communities
- 2) 2% of the total investment cost (equivalent to about 10% of the equity in project finance) of citizen participation via a renewable energy community.

Both targets will be equally evaluated, meaning the 5 points are each appointed when achieving the respective target.

### *Other elements*

In all scenario's a clear communication plan needs to be put forward in which it is proven that citizens will be informed in detail about the risks and opportunities of these investments.

## **iv) Local benefits to society**

Belgium has pioneered with offshore wind in Belgium, but the potential here is not unlimited. Therefore, it is crucial that these companies can use their experience to develop offshore wind outside of Belgium. A lot of local companies already have this experience, others might benefit from a local reference to expand abroad.

A study done by Climact in 2021<sup>14</sup> shows that for a total installed capacity of 6 GW offshore wind, can contribute ~1,5 billion per year in gross Domestic Product (GDP) by 2030 and it shows that 10.000 new jobs can be created.

To give the companies in Belgium all chances, a communication plan needs to be provided to enhance the local benefits and to inform local companies and involved stakeholders on possibilities to be included in the offshore wind project by the bidder. This information should, as a minimum, consist of a clear view on possibilities, timing, the procurement plan and the procurement strategy. This plan should demonstrate the local benefits in both revenues as well as employment and will also be evaluated as such.

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<sup>14</sup> [6 GW offshore wind in de Belgische Noordzee: goed voor de economie en voor het klimaat – Belgian Offshore Platform](#)

Training is an important part of the employment. Therefore, traineeships and internships will also be positively evaluated in this plan. Any cooperation with actions to diversify staff and to reschool employees will be positively evaluated.

## **v) Sustainability**

In the tender for the Prinses Elisabeth zone, sustainable working methods will be encouraged. Bidders will have to demonstrate by means of a written plan of approach how they will work to achieve this sustainable way of working.

Elements to be included in the plan are at least:

- the materials used for the construction of the wind parks;
- the recycling of used materials at end of life;
- the decommissioning plan;
- the conditions imposed on suppliers, including social conditions;
- the characteristics of the movements (vessels used, number of journeys, fuel used, etc.), both for the construction and the maintenance of the wind farm;
- The possible multi-use of space;
- the internal company policy on Sustainable Development Goals

In addition to this plan, it is requested that an explicit commitment is made regarding one or more of the above elements. More points will be awarded to projects containing more efforts that are explicitly committed to or dedicating a higher amount of budget towards these commitments. Projects should, where possible, be verified, executed and/or implemented within a period of 60 months after over the final take-over date of the wind farm. The bidder should indicate which parts of the plan are not possible to execute within this timeframe. A penalty will be put forward for an equal amount if not realized.

Criteria for evaluation are then amongst others the degree of re-use and recycling of materials, degree of multi-use of space as well as the CO<sub>2</sub>-impact, including service activities.

Examples can be:

- Materials used: avoidance of tropical wood, avoiding rear earth materials; use of green steel; limit SF6 and forever chemicals
- CO<sub>2</sub>-neutrality: use of renewable molecules as fuel for CTVs, SOVs, jack-up vessels, etc.... during installation as well as during maintenance
- Multiple use of space: potential integration of sustainable aquaculture, passive fishery, fish hotels, educational activities, eco-diving,...
- Using short supply chains where possible

## vi) Nature Preservation

The bidders of course need to comply with all the demands put forward in the environmental permit. However, if bidders see innovative possibilities or investments that could further aid nature preservation in the concerned zone, they can present these in a nature preservation plan.

A nature preservation plan can be presented to show projects with a positive impact on our ecosystem and our diversity, however clearly going beyond the requirement already being put forward in the environmental permit:

- Innovative ways of nature inclusive design
- Increase of biodiversity and gain in habitat
- Use of an ecologically valuable type of gravel and installation of new gravel beds
- Installing a monitoring project for nature effects and to communicate this openly.
- Cooperation with non-profit organizations or nature institutes
- Eco-system approach based on physical and biological environments for provisioning, regulating or cultural services.

Evaluation of such plan will be done based on the measures being clearly committed, including financial commitments and the positive impact on the eco-system functioning and the biodiversity.

## vii) Innovation and system integration

For this criterion, a plan needs to be presented on how innovation is stimulated in the bid. This can be for example by allowing test facilities for new turbines, new technologies, living labs for aquaculture, drones, grid support, etc. Criteria to be considered for evaluation are:

- Potential impact on the innovation for wind farms and the offshore wind business in the future
- The details in which the plans are being put forward to come to realization
- The committed financial means shown in the business case
- Innovation in both installation phase as well as operational activities are possible to bring down costs
- The degree in which knowledge is shared and or co-developed with knowledge centers and/or Belgian universities. This can also entail the full monitoring of foundations, turbines and balance of plant and to make these data available for research institutions.

The innovation within the offshore zone is covering 50% of this criterion. The other 50% will be evaluated under system integration. Here, it is understood that the bidder supports the increase of flexibility into the Belgian electricity system. This is possible via for example Demand Side Management, flexible PPA's or the installation of battery capacities or long-term storage facilities within Belgian territory. Additional hydrogen production will be excluded in this criterium, considering our need for renewable electricity. The degree of

flexibility both in duration (time) as well as capacity will be considered in the evaluation of the points.

Projects, where possible, should be verified, executed and/or implemented within a period of 60 months after Take Over of the wind farm. A penalty will be put forward for an equal amount if not realized. The bidder should indicate which parts of the plan are not possible to execute within this timeframe.

## 6. Conclusions

This public consultation gives a first indication of the tender criteria. You are invited to comment on these proposals and to offer new ideas, thoughts and suggestions to make the next offshore tender a success to reach the goals of increasing our offshore wind capacity to a maximum of 5,8 GW in Belgium and to keep our pioneering status by including innovation and sustainability in the offshore wind projects. Including citizen participation and promoting the European concepts of Renewable Energy Communities to include citizens in the energy transition and the renewable energy of the future.