

Ørsted
Q1 2026 earnings call
Transcription

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Rasmus Errboe

Hello, everyone, and thank you for joining today's call.

As the world enters its second energy crisis in only five years, it is clear that dependence on imported fossil fuels comes at an unacceptably high price for society.

Recent events in the Middle East have increased volatility in global energy markets and led to higher energy prices threatening to affect both growth and disposable income. And even if hostilities are rapidly brought to a halt, we can expect the global energy supply and energy markets to take a long time to normalize.

Energy security has become crucial to ensure the resilience and sovereignty of nations around the globe. This is particularly the case for Europe, where the vulnerability and costs associated with dependence on fossil energy imports are unsustainable.

The solution is at hand, increase electrification of industry and transport, create a coherent European energy system and accelerate the build-out of renewable energy, not least offshore wind.

Over the past years, we have advocated for strengthened investment certainty for offshore wind through supportive regulatory frameworks. We are now pleased to see positive and concrete changes to policies and regulations, both at regional and national level.

With the offshore wind investment pack from January 2026, nine heads of state agreed on a coherent approach to the build-out of up to 300 gigawatts of offshore wind in the North Sea by 2040, together with industry and transmission system operators, of course. Concrete changes to regulatory frameworks have taken place at national level, including in the UK, where the budgets for new offshore wind projects in the recent Allocation Round 7 were increased. In Denmark, a contract for difference scheme was introduced for the upcoming auction, and we are also seeing a shift towards the so-called CfDs in other European countries, including Belgium and the Netherlands.

At Ørsted, we will continue to work with governments and industry to provide solutions to enable the acceleration of renewable energy. To this end, we launched a paper titled "Fact over Perception: The Real Value of Offshore Wind" at the recent WindEurope conference in Madrid.

In the paper, we outlined the benefits that renewables and in particular, offshore wind bring to Europe, and we clarify that an electricity system based on renewables is significantly more affordable than the fossil fuel-based alternative. We show that renewables with offshore wind as a significant component can reduce annual fossil fuel imports by more than 30 % of 2024 import levels.

The paper also shows that offshore wind together with other renewables can reduce total European electricity system costs by up to 30 % by 2040, as the integration costs of solar and wind are small compared to the large savings from reduced use of fossil fuels in power generation. And

finally, the paper shows that an investment level into offshore wind in line with the ambitions outlined in the offshore wind investment pack can cut annual carbon emissions in Europe by approximately 20% compared to 2023 levels.

In Ørsted, we will contribute by continuing to deliver on our business plan and become a more focused, competitive and stronger company that is ready to selectively invest in the most value-creating opportunities over the coming years to remain the global leader in offshore wind.

Let's continue to slide 5 and an update on the strategic priorities and operational performance for the first quarter.

We continue to progress on the four strategic priorities that we introduced in the beginning of 2025.

Our first priority is to strengthen our capital structure. And with the completion of the rights issue in 2025 as well as the signing and closing of the transactions in our partnership and divestment program during '25 and early '26, we have delivered strong progress on this.

In late April, we closed the divestment of our European onshore business, and this will be reflected in our accounts for the second quarter. Likewise, we still expect the divestment of a 55 % stake in our Greater Changhua 2 project to close in the third quarter of 2026 following the commissioning of the Greater Changhua 2b and 4 project.

Our second priority is to deliver on our 8.1 gigawatt offshore wind construction portfolio. We have achieved significant milestones during the quarter, which includes the delivery of first power at Revolution Wind as well as a successful installation of the first turbines at Sunrise Wind. I will shortly go through the details of the construction progress across the portfolio.

Our third priority is to ensure a focused and disciplined approach to capital allocation, where our focus going forward primarily will be on offshore wind in Europe and select markets in APAC. With the measures we have taken to strengthen our capital structure and financial foundation, we are in a position to pursue new value-creating opportunities within offshore wind.

Our fourth priority is to improve our competitiveness, and we are progressing as planned on numerous measures. This includes the initiatives within our trading and revenue function as well as our generation organization. In addition, we are delivering according to plan on our announced adjustments to our organization, so it will become more efficient and more flexible.

Turning to the operational highlights of the first quarter. I am pleased with the operational performance. Our EBITDA, excluding new partnerships and cancellation fees, amount to 9.5 billion for the first quarter, which is an increase of more than 10 % compared to the first quarter of 2025. This was driven by ramp-up generation in offshore wind and also slightly higher than normal wind speeds. The performance was also supported by the good availability rates within our offshore business, which stood at around 93 % for the quarter.

The renewable share of generation stood at 98 %, slightly lower than the level for the first quarter of 2025 due to higher gas usage at our power stations following the colder weather conditions.

When it comes to safety, while there was an increase in our total recordable injury rate of around 11 % in the first quarter, we remain on track to deliver on our target for the full year. Safety remains a top priority for us and our employees, and we continue to strengthen our safety commitments through targeted initiatives and sharing of 'best practices' with suppliers, all aimed at preventing incidents and bringing our people home safe every single day. We have consecutively reduced our total recordable injury rate over the past four years, and we will continue working towards reducing it again this year.

Let's turn to slide 6 and an overview of our construction projects. I will cover the more advanced projects individually and, in more details, as usual on the next slides, while putting a few remarks on the remainder of the construction portfolio here.

For Borkum Riffgrund 3, we are continuing the commissioning of turbines with 80 % of the turbines having produced first power. Following adverse weather conditions for commissioning works during the first quarter, combined with ongoing unplanned grid outages from the transmission system operator and grid curtailment.

The commissioning and testing of the turbines have progressed slower than planned and the full commissioning of the project is now expected in the third quarter of 2026. All foundations and turbines are installed and with the high share of turbines that have delivered first power, combined with the higher-than-assumed power prices, the slight commissioning delay only has a marginal financial impact.

For Baltica 2, the project continues to progress as planned and has, as of last week, achieved a significant milestone with the installation of the first monopile foundations. With the solid progress during the past quarter, the degree of completion has increased to 30 %, up from 25 % last quarter. This includes further progress in the fabrication of foundations with all foundations for turbines and offshore substations completed, and nearly half of the turbine foundations ready for load out at the harbour site. The manufacturing of the structures for the offshore substations is complete. Tests are ongoing for electrical equipment and all four top sites will be transported to the site for installation in the second half of this year. Fabrication of the export cables and the array cables are also progressing as planned. The onshore buildings are finalized. Majority of electrical equipment are in process of being installed and the onshore export cable installation is on schedule. In the coming period, the installation work of turbine and substation monopile foundations will continue.

For Hornsea 3, we have made significant progress. We have commenced the installation of turbine foundations, pulled the export cable onshore to meet its onshore counterpart and successfully installed the first of the project's two offshore converter stations. With these achievements, the project is now approximately 25 % complete, up from 10 % at the fourth quarter of 2025.

As we have noted in the past, the project is dependent on timely connection to the transmission grid in circumstances where several renewable energy projects are currently under construction. We have collaborated closely with National Grid Electricity Transmission and also National Electricity System Operator, NESO regarding the timing of the grid connection, in order to keep first

power and commissioning on track. However, National Grid have informed us of a grid connection delay, which impacts our critical path by up to two months, resulting from National Grid's enabling and reinforcement works at the Norwich Main substation, where Hornsea 3 is due to connect to the UK transmission system. While we have been able to absorb the majority of the delay within the project's contingency, we now anticipate first power in Q1 2027 and commissioning in the 6-month period between Q4 '27 and Q1 '28.

We will continue to work with National Grid as they work to minimize the delay and mitigate any further delays from occurring and impacting the schedule. We expect minor financial implications as it is primarily a shift of ramp-up generation and slightly higher project costs that are absorbed within the typical variance of project budgets during the construction phase. Remaining construction work continues to progress, both onshore and offshore with other key milestones on schedule.

Turning to slide 7 and an update on our Greater Changhua 2b and 4 project in Taiwan. With the progress achieved during the quarter, the degree of completion is now at 80 %, up from 75 % in Q4 '25. The project ensured further progress during the quarter as the installation of array cables has been completed and the cables have been terminated. At this stage, 38 of the 66 turbines have been commissioned and are producing power and the commissioning works of the remaining turbines is ongoing.

The project remains focused on the installation and energization of the export cable, which will resume works to replace the export cable for the Greater Changhua 2b section. Onshore works related to this is ongoing and the replacement work offshore will commence later this quarter. The project remains on schedule for commissioning during Q3 2026.

Turning to slide 8 and an update on our Northeast program, starting with Revolution Wind.

During the first quarter, the project continued to progress and achieved a significant milestone as the project achieved first power in March. The project has currently installed 60 of the 65 turbines, and we intend to install the remaining five turbines. The project is assessing all available options to complete turbine installations safely and efficiently.

With the progress achieved during the quarter, the degree of completion has now increased to 94 %, up from 87% in January '26. At this stage, the project continues to focus on progressing commissioning activities towards full commercial operations in the second half of 2026.

Turning now to slide 9 and an update on the progress at Sunrise Wind.

During the quarter, the project has continued to make progress and achieved an important milestone as the first turbines have successfully been installed. Of the 84 positions, a total of five turbines have been installed.

In addition, the installation of the export cable is nearing completion and the far shore section of the export cable was pulled into the offshore converter station and joined to the mid-shore section after completing nearshore installation in the fourth quarter last year. With the progress achieved during the quarter, the degree of completion has increased to 47 %, up from 45 % in January 2026.

In terms of fabrication progress, all turbine foundations remaining to be installed have now been fabricated and are either loaded onto installation vessels or transported to storage ahead of installation. All nacelles, all towers and all blade sets have also been fabricated with only a low number of blade sets awaiting final painting, which will be completed later this year.

On the onshore substation, the second of the two circuits have been energized and the commissioning continue to progress according to schedule. In the coming period, the project will continue to progress the installation of turbines and finalize the burial of the offshore export cable. In addition, installation of turbine foundations will continue as the time of year restrictions lift and the installation of array cables is planned to start during the quarter as well. The project is expected to start commissioning of turbines later this year.

With this, let me hand over the word to you, Trond.

Trond Westlie

Thank you, Rasmus, and good afternoon, everyone. Let's start from my side on slide 11 and the EBITDA for the first quarter of '26. And as always, unless I state otherwise, the numbers I refer to will be in Danish kroner.

In the quarter, we had a strong operational performance and delivered EBITDA excluding new partnerships and cancellation fees of DKK 9.5 billion, which is an increase of more than 10 % compared to same quarter last year. Let me walk you through the main developments.

For our offshore business, the overall sites earnings came in DKK 700 million higher compared to last year. The wind speeds in the quarter were slightly higher than the norm and significantly higher than the first quarter of '25. In addition, our earnings benefited from higher power and ROC prices. These effects were partly offset by trading results that despite a good performance over the quarter, were lower than last year as well as step-downs in subsidies at Gode Wind 1 and 2 and Borkum Riffgrund 2.

Earnings within existing partnership increased compared to last year, mainly related to construction agreements at Borkum Riffgrund 3 and Hornsea 3. The 'Other' costs within offshore improved mainly from lower fixed costs.

In our onshore business, earnings increased by approximately DKK 200 million compared to last year. The increase was primarily due to sale of an early-stage development project in the U.S. onshore and sale and leaseback of land at three operational projects located in the U.S. Most of our U.S. onshore projects are built on land leased from third-party landowners, and this transaction is viewed as an optimization of the U.S. onshore portfolio. With our existing partners, we will continue to own and operate the projects.

Within Bioenergy and Other, earnings in our combined heat and power business decreased by approximately DKK 300 million, driven by lower earnings from ancillary services. As a result of

increased market entries and auction changes for ancillary services, we see higher competition, which is driving prices downward and lowered the volumes we have sold. This change also means that contribution within the segment will expectedly be lower going forward.

Let's turn to slide 12. In the first quarter of '26, we incurred a non-cash impairment loss of DKK 1.4 billion across our U.S. offshore and onshore assets, driven by an increase in the long-dated U.S. interest rates.

On our net profit, the quarter totalled DKK 2.6 billion. While we had a higher EBITDA, the net profit was impacted by two non-cash accounting impacts being the impairment loss that I just described as well as the tax effect. The main tax effects are a deferred tax equity liability at Revolution Wind and Old 300 BESS as we received initial tax equity contributions during the quarter. The tax effect of that totalling just short of DKK 900 million.

We expect to monetize the majority of the tax credits for the Revolution Wind project via the transferability market, and we will, therefore, not see further impacts on our tax from the Revolution Wind tax credit monetization. On the tax elements, for more detail, I refer you to Note 10 in our quarterly report for more details.

Adjusted for impairments and cancellation fees, our return on capital employed came in at 8.6 %, a decrease compared to last year due to a higher capital employed. The reported ROCE came in at 4.6 %.

Turning to slide 13 and our net interest-bearing debt and credit metrics.

At the end of Q1, our net debt amounted to DKK 21.3 billion, representing an increase of DKK 2 billion during the quarter. 'Cash flow from operating activities' include contribution from our operational earnings as well as taxes paid and changes in other working capital. This also includes a tax equity contribution related to Revolution Wind as we entered into a tax equity structure with a partner for a portion of the project's tax credits.

'Divestments' include the sale of a development project in the U.S. onshore and sale and leaseback of land in the U.S., as mentioned before. Our gross investments amounted to DKK 8.2 billion, reflecting the continued investment into our renewable construction projects.

Our credit metric, FFO to adjusted net debt stood approximately at 42% at the end of the first quarter, which is well in line with our target of more than 30 %. The increase is driven by an increase in funds from operations over the last 12 months, the proceeds from the rights issue and closing of the Hornsea 3 transaction. At the end of the quarter, we had a total liquidity reserve of more than DKK 115 billion.

Finally, let's turn to slide 14 and our outlook for '26.

With the strong operational performance in the quarter, we maintain our full year EBITDA guidance, excluding new partnership and cancellation fees of more than DKK 28 billion. We still expect the offshore business to come in higher than last year, and the Onshore and Bioenergy earnings in line

with 2025. On CAPEX, we also maintain our Gross investments guidance for '26 of DKK 50 billion to DKK 55 billion.

And with that, we will now open for questions. Operator, please.

Operator

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two.

Questioners on the phone are requested to disable the loudspeaker mode while asking a question. Please respect only one question per participant and then you can go back to the queue for second question. Anyone who has a question may press star and one at this time.

And we had the first question coming from Harry Wyburd from BNP Paribas. Please go ahead.

Harry Wyburd

Hi, afternoon, everyone. Thank you for taking my question. I'm afraid it's a bit of a catching one on Iran. So very clear and I think probably shared by a lot of people that Iran is going to provide a significant boost on electrification, which is supportive. But aside from that, what other effects are you ready for or expecting from the conflicts; and two, in particular that I'd be interested to hear about. One is, given your portfolio, your hedging and some of the changes you've made in the past to the way you hedge, what exposure would you have to the changes in power prices that you've seen in your regions since earlier in the year?

And then also probably more importantly, how ready do you feel for the inevitable disruption and inflation that's coming in a few months' time? Obviously, that's something that you've perhaps changed your processes around over the last few years.

How confident can we be that you would be able to weather not just cost inflation in your supply chain, but also physical disruption and shortages and so on? Thank you.

Rasmus Errboe

Thank you, Harry. So, let's take them one by one. If we take the supply chain angle to your question first, the ongoing crisis in the Middle East has a marginal impact on our supply chain across the projects that we are currently constructing.

Of course, fuel costs are going up, etcetera. But if you look at the totality of the project economics in our six projects under construction across three continents, it is a marginal effect.

If you look at the power prices, as you also partly hinted to, our business model is basically that we have a very high degree of regulated earnings. And we also hedge to a large extent, the remaining power price exposure we have in our portfolio.

So that also means that we have a sort of marginal upside from the power price spikes that you see across sort of Europe in particular right now. Power prices are now roughly double the level that they were at before the crisis. But again, it doesn't have a meaningful effect on our portfolio simply because of that we have regulated earnings, we have CfDs and corporate PPAs in our portfolio.

Then, of course, on a longer horizon, we, as everybody else, are, of course, looking out for and are sort of considering additional potential disruption, inflation, etcetera. And it is something that is sort of clearly manageable for us with the exposures we have and also something we, of course, can take into account when we decide to move the new opportunities forward. So, it is something that we are prepared for.

Harry Wyburd

Okay, understood. Thank you.

Operator

The next question comes from Peter Bisztyga from Bank of America. Please go ahead.

Peter Bisztyga

Hi. Yes. Can I sort of ask you to sort of maybe expand on the other aspect of that question vis-a-vis electrification? We have this AccelerateEU document from the European Commission a couple of weeks ago.

Is there anything concrete in there from your perspective that could be specifically beneficial to your business and offshore wind? Or is it just sort of, kind of rehash of previous EC documents? And what kind of would you like to see in EC commentary regarding this whole acceleration of electrification process? Thank you.

Rasmus Errboe

Thank you very much, Peter. Yes, you are right that what the second energy crisis in five years makes very evident in our view is the need for a significant ramp-up of renewables across Europe for affordability reasons, for sort of strategic sovereignty reasons, etcetera. So that's obviously very, very clear.

And we also are starting to see very good progress on the regulatory front. You could say Europe are truly sort of at its best when they are under pressure. We saw it in the beginning of this century on the financial crisis. We've seen it on COVID. We've seen it on Ukraine. And we're also, in our view, seeing it now.

I think the North Sea Summit is a good example of that, where you saw nine member states standing shoulder-to-shoulder committing to a build-out of up to 300 gigawatts of offshore wind towards 2050. And on top of that, we also see improved regulatory frameworks across several of our key markets, UK, Denmark, Belgium, Netherlands, Poland. And then we are, of course, looking out for Germany in the coming months.

Specifically, on the AccelerateEU that you are alluding to, in our view, it rightly places electrification and renewable deployment at the center of Europe's energy security and competitiveness agenda. And this sort of continued focus on grids interconnections and also cross-border infrastructure that is part of the AccelerateEU plan is exactly what we would like to see to sort of install investor confidence in sort of this significant deployment of renewables. That is what we need to see. We need basically predictability.

If you just take one factor and then I'm done on grids more specifically, grid investments in Europe need to double in our view to around DKK100 billion per year going forward, which will mainly be driven by growing demand and also an aging our European grid. So that's sort of roughly 75% of the investments, and then partly by increased solar and wind integration as part of the energy mix, that is roughly the remaining 25%. So this massive investment in grid, we are sort of seeing as a need-to-have, and therefore, we also appreciate the AccelerateEU.

Peter Bisztyga

Thank you.

Operator

The next question comes from Lars Heindorff from Nordea. Please go ahead.

Lars Heindorff

Yes, thank you for taking my question. It's more specific on your own activities. You addressed it in your opening remarks about Borkum Riffgrund and Hornsea, and I know there's a compensation for the delay in Borkum. But for Hornsea, just to be clear, I think you mentioned that it was insignificant, but it's still six months delay. Just out of curiosity, will you bear the burden for that delay in terms of grid connection for Hornsea 3 or how is the structure of that deal?

Rasmus Errboe

Hi, Lars. Just to be clear, it is not a six-month delay. So the facts are that on the back of dialogue we have had with National Grid, which, by the way, have been good and open and constructive. We have decided to adjust our expectations for COD of Hornsea 3 with up to two months.

So therefore, when you look at what we are sort of communicating, we are basically saying that instead of having an expectation for COD sometimes during H2 2027, we have to be cautious, updated the guidance so that you can expect COD sometimes during Q4 '27 and Q1 '28. So we have moved it, you can say, with three months. But as I said, we expect up to a two-month delay.

And just to be clear, the financial impact on the business case, if you will, here is assessed to be minor for us. Everything that is within our control is moving forward exactly according to plan. And then, of course, you can expect sort of minor impacts to the earnings profile between '26, '27 and '28. But again, as of now, assessed to be manageable and assessed to be minor.

And then you had an additional question. And that is in terms of sort of who bears the burden. It is a

developer risk. It is us who bear the risk of delays on grid in the UK. That is the framework we have. That is the same for all developers, and it has been like that for as long as I can remember.

Operator

The next question comes from Alberto Gandolfi from Goldman Sachs. Please go ahead.

Alberto Gandolfi

Hi, good afternoon. Thank you for taking my question. I wanted to ask you, when do you think you'll be in a position to actually materially step up investments? When can you deploy capital? Is it when Sunrise starts operations or do you think this could be done a bit earlier because you sense perhaps a change in stance by the U.S. administration, considering that it is not a build injunction and considering that there have been deals on seabed? So can you maybe talk about growth in the context of pending regulatory risk in the U.S.? Thank you so much.

Rasmus Errboe

Thank you, Alberto. So yes, first of all, we have firm ground under our feet on our capital structure. As you know, we have delivered on our plan. It is one of our four strategic priorities. The equity raise went as planned. We have outperformed on our farm-down program, raised DKK47 billion relative to the more than DKK35 billion we had expected. And we have farm-down under our feet on our capital structure. Part of it, all along, has, of course, also been that we are putting ourselves in a position where we can invest, and that is also the case now.

So that will mean that if you look at Europe as an example, there is no doubt that you are starting to see a rather significant step-up in relevant offshore wind opportunities with the right frameworks in our core markets. And we will, of course, assess them one by one with a razor-sharp focus on value more than anything.

I don't guide sort of specifically on volume because it's not the way we think we focus on value, and we will only move forward what we believe is where it needs to be in that regard. But we are there and we are ready to selectively invest in our core markets.

Then specifically with respect to sort of the U.S. regulatory risk that you are alluding to, I would say we move forward here as planned ever since day one of this situation, if you will, we've had a legal track, we've had a dialogue track, and we are focusing on delivering on our construction across two projects. And I am satisfied with the fact that they are both moving forward exactly according to plan with degrees of completion now of 94% for Revolution Wind and 47% for Sunrise.

So of course, we have made a three-year turnaround plan for us that we are five quarters into the plan. We will continue to deliver on the plan quarter-over-quarter. And of course, when we come out on the other side, we will, of course, have even more headroom to invest should the right opportunities be there.

Alberto Gandolfi

Thank you.

Operator

The next question comes from Mark Freshney from UBS. Please go ahead.

Mark Freshney

Hello. Thank you for taking my question. Trond, I was intrigued when you mentioned that you've got some tax equity done on Revolution. We spoke about this before. There are some stop orders still technically in place on the U.S. projects, which may make it more tricky?

And I understand that there's about DKK25 billion that you would hope to get through ITC credits. Can you give us any more color on the quantum of what you've managed to do on Revolution and the confidence you would have on tax equity there?

And if I may ask a question on the U.S. onshore business. It seems that I think you've got some BESS under construction. And some European projects under construction, which will go with the transaction that you announced.

But it seems that onshore business has very, very little under construction and some of the opportunities, U.S. onshore are very good in solar and BESS. So can you talk about what might be on the horizon there and growth in that business? Thank you.

Trond Westlie

Well, Mark, thank you for that. When it comes to the tax equity plan, we are following it as we have been planning for quite some time. So the agreement with the partner came in just before first power as it needed to be. And we are progressing with the plans. We will start to sell the transferability during the remainder of the year.

So when it comes to your numbers on the 25 billion estimate, we have just started with Revolution, which is the smaller part of this. Sunrise will then ramp up during the year and will probably not come into effect late this year or beginning next year. So that's really the plan as a result of the development of the projects.

Mark Freshney

It seems like you're very well progressed with the plans and you've made excellent progress. Is that fair?

Trond Westlie

Well, Yes, I think we have made the progress that we expected to do. We are, of course, dependent on the market and the market reception relative to find buyers for the transferability. So the political uncertainty in the U.S. still prevails. So yes, we have come to the position that we have planned to be in, Mark. And as a result of the uncertainty, we believe that's a good place to be.

Rasmus Errboe

And Mark, on the U.S. onshore, just sort of the facts first. So we have an operational portfolio of 6 gigawatts, roughly 3.5 gigawatts wind and 2.5 gigawatts solar and battery. And right now, we have, as you also alluded to, we have Old 300 BESS, 250-megawatt battery under construction. And then earlier during Q1, we COD Badger Wind. If you look at it from a development pipeline perspective, we have 6 to 7 gigawatts of capacity that will meet the IRS definition of qualification through 2029. So a very good and very solid business that continues to deliver for us. And in terms of sort of a forward-looking perspective, we do have a couple of mature projects in our development pipeline that we could very well decide to move towards FIDs during 2026.

And then as you know, we have, over the past nine months, completed a process of uniting and separating out the U.S. onshore business. So basically making it a standalone organization so that we can drive value through lower overhead costs and reduced global and U.S. complexities and also more clear governance. So we are in a good place on our U.S. onshore business.

Mark Freshney

Thank you.

Operator

The next question comes from Ahmed Farman from Jefferies. Please go ahead.

Ahmed Farman

Yes. Hi, thank you for taking my question. I had a similar question to one of the earlier ones about sort of the medium-term opportunity and the capex plan. On your Slide 34, you have listed almost seven offshore wind tender auctions that are in 2026.

Could you just help us a little bit sort of say a little bit about which one of these are sort of most relevant for Ørsted, where are you best positioned? I would have thought Taiwan, but we would love to hear a little bit more around, get more color around your positioning into some of these auctions? Thank you.

Rasmus Errboe

Thank you, Ahmed. So at the risk of sounding a little bit annoying, I typically never give any indications as to which tenders we plan to participate in. I prefer to have that conversation after the tender results has come out and that is still the case. So if we talk about it more sort of from a framework perspective, the framework in Denmark is sort of two-way CfDs, capped, but two-way CfDs. It's a core market.

The framework in the Netherlands and Belgium are also moving towards CfD, also part of our sort of core European focus. As you also alluded to, there is a tender coming up, I believe it is in Q3 in Taiwan, also a market that we are active in. And obviously, we will also assess that like we assess the others.

And on top of that, we also have sort of an expectation that during 2027, you would see a

significant pickup in relevant tenders in Germany, very likely based on CfDs as well, which we believe is the only right way forward here as well. So you are starting to see across our core markets quite a few relevant tenders for us.

And then, of course, the UK, as we have talked about a few times, we have moved Hornsea 4 back into development. We are moving that forward well and according to plan and we will be able to participate with that project should we decide to do so from AR9 and onwards. And in addition to that, we are moving forward our other pipeline opportunities in Korea, in Australia, Isle of Man, etcetera. So we are moving our pipeline forward.

Ahmed Farman

Thank you. Very helpful.

Operator

The next question comes from Dominic Nash from Barclays. Please go ahead.

Dominic Nash

Hi, thank you for my question. I'm going to ask a question about decoupling gas and power prices, which I think is a theme going across the whole of Europe. And I'd be interested in your take on the initiatives that we are seeing on potentially adopting changes in the carbon price like we've seen with the CPS in the UK, but potentially elsewhere.

Whether or not you see further decoupling initiatives in other markets and so clearly on the UK, where we have a consultation in the coming weeks. What your thoughts are on the impact of decoupling and of potential CfDs on your brown energy prices in your ROs?

Rasmus Errboe

Thank you very much. So, of course, we have noted the debate on sort of decoupling across several of our core markets. And of course, if you just take a fact, if you take Italy as an example, I believe the power prices in Italy during Q1 were around EUR 130 per megawatt hour. And I believe that gas was the price setting technology 89% of the time.

Then if you look at Spain, same period of time, I think the energy prices were around EUR 42 per megawatt hour on average across the first quarter. And here, gas is only price setting at 15% of the time. So of course, we understand the dialogue in some of these markets.

That being said, we do not expect any updates, regulatory in our key markets. We also think that there was a pretty firm perspective from the European Commission. It's obviously also a trade-off also between creating the necessary investor certainty and we do not believe it is the right path forward to change some absolutely essential fundamentals in the power market due to spikes.

The way to solve the affordability challenge for the longer term is to switch the energy system in Europe towards a much larger degree of renewables over time. That is the cheapest solution for society rather than changing the marginal pricing system.

Dominic Nash

Thank you.

Operator

The next question comes from Rob Pulleyn from Morgan Stanley. Please go ahead.

Rob Pulleyn

Hi, good afternoon. Thanks for taking my question. I just return to the question of future growth. You obviously mentioned quite a few tenders there, Rasmus. We also talked about onshore. Given, of course, you're executing on a large amount of projects, and I think it's fair to say Ørsted has used a lot of its seabed acreage outside of the United States. Should we also be considering that you may pursue different ways of finding future growth, i.e., would you be open to consolidation farming into other projects, seeking new markets? I noticed you mentioned Australia or outright M&A to restock the growth pipeline given your balance sheet capacity? I'd love to hear the thoughts. Thank you very much.

Rasmus Errboe

Thank you very much. Our approach to growth within offshore wind is basically split across three buckets. And the main bucket, no doubt, when we look forward is actually going to be through tenders because for the reasons you also alluded to that we have discussed on this call that we do see tender frameworks moving very much in the right direction, including an increased willingness to pay in our core markets. So that is a very relevant growth avenue, probably by far the biggest.

On top of that, we obviously also have a proprietary pipeline. You also alluded to it. We have a proprietary seabed in the UK with Hornsea 4. We have it in Korea. We have it in Australia that you also alluded to. So we also have proprietary seabed, and that is also an avenue that we will continue to pursue.

There are also, as an example, in the UK, there is the next lease round coming up next year also tendering out seabed. I mentioned a few other opportunities also before. So that is also an avenue for us.

And of course, the last one is, you can say, project-by-project M&A. If we do that, we only do it where we can see the value. Obviously, and you should not expect us to sort of go in at projects that are very mature. So it would just be another way to doing development, potentially with partners.

As we have also talked about a few times before, from a risk management perspective going forward, you can expect that Ørsted will, to an increasing extent, be going into partnerships when we develop offshore wind.

Rob Pulleyn

Thank you very much.

Operator

The next question comes from Louis Boujard from ODDO BHF. Please go ahead.

Louis Boujard

Yes, hi, good afternoon. Thank you for taking my question. Maybe just a follow-up on this M&A topic and the potential for partnership. You mentioned in the possibilities to seek for future growth with different projects in which you have already some options, but there is also upcoming auction that could be expected eventually in France with some option in terms of partnership. Is it an area that you would eventually look at in the next few months? And is something that where you could eventually find some opportunities going forward considering that in the past, it was not necessarily your core markets?

Rasmus Errboe

Thank you, Louis. We will, of course, continue to monitor all offshore wind markets in Europe where we see strong bottom fixed opportunities. And then we will decide on an individual opportunity, taking into account the value and the potential pipeline fit. That is as far as I can take it in terms of new opportunities within Central Europe.

Operator

The next question comes from James Carmichael from Berenberg. Please go ahead. He cut off line. Okay. Next question comes from Richard Alderman from BTIG. Please go ahead.

Richard Alderman

Hi, can you hear me?

Trond Westlie

We can.

Richard Alderman

Thanks for taking my question. Just following up on Rob's question just now around different M&A or investment opportunities. Equinor management today in the call earlier on this morning described themselves as a long-term industrial holder, a happy long-term industrial holder of their 10% stake.

But in a slight change of tone from what they were saying at the full year call, they mentioned three times that the offshore industry is in need of consolidation. How do you see that statement in terms of your thoughts around the overall industry?

And as opposed to sort of answering the question that people keep asking around the market around the potential for merger in the long-term, could you consider maybe asset swapping or pulling assets into structures that might create value for you in terms of servicing or operations, cost savings, etcetera?

Rasmus Errboe

Thank you, Richard. Richard, I don't want to speculate about potential future M&A, asset swaps, consolidation, etcetera. What I can say is that our focus is to deliver on our plan. As I said before, we are sort of five quarters into the turnaround, and it is going quite well, and I am very satisfied with the progress we have made.

We are also very pleased to have Equinor as a key shareholder, and we have a very good dialogue with Equinor like we have with all of our key shareholders. So that is basically as far as I can take it. I don't want to speculate in consolidation. I think already now you are seeing that there are fewer relevant players, if you will, on offshore wind in Europe as I see it right now. So the field has already narrowed in the last three to four years.

Richard Alderman

Thank you.

Operator

Next question comes from Deepa Venkateswaran from Bernstein. Please go ahead.

Deepa Venkateswaran

Hi. Thank you for taking my question. It is a follow-up on some of the markets with upcoming tenders. So more specifically, I wanted to check about South Korea, you have a project Incheon, but I wasn't very sure if it was advanced enough to be eligible to participate in the upcoming auction? Or is this, in your view, further out auction?

Similarly, on Taiwan, more of a clarification. I understand that there's like a floor price of \$70 per megawatt hour. But then if you want to price above that, then you need a PPA. And I believe people have been struggling with PPAs in Taiwan. So I just was interested in hearing your comments on these two markets? Thank you.

Rasmus Errboe

Deepa, thank you very much. So if we take them one by one, Korea, the short answer is no. We don't have any plans to participate in the tender that is ongoing right now. It is too soon for us.

We have been granted an electricity business license, as it is called, an EBL, to develop an offshore wind project off the coast of Incheon of up to 1.4 gigawatt. And it's actually moving forward quite well and according to plan. We have completed site investigations, and we are progressing permitting activities so that we can participate in future offshore wind auctions in Korea.

And then as part of that, we have entered into MOUs with KOEN and POSCO for the project and thereby sort of laying the foundation for an equity partnership that would combine our experience and expertise also with KOEN's deep knowledge of Korea's power market.

And then with POSCO, we have explored opportunities of supplying high-strength steel, etcetera,

for the EPC part of the project. So you can say the development is moving forward according to plan, and we will assess this once relevant like we do in our other markets.

And then in Taiwan, you are right that it's a bit of a, how should I put it, it's a bit of a hybrid market. It is a PPA market, but it is a market where you can enter into long-term PPAs that have sort of very similar sort of characteristics with the CfD.

We have been quite successful in our own view on the projects we have in Taiwan in entering into long-term corporate PPAs with TSMC. And we, of course, assess, as always, the depth and the pricing and the robustness of the PPA market in the countries we are in. We also do it here, and we are not sort of as such concerned on that part going forward.

Deepa Venkateswaran

If I could just follow-up. Why have so many projects in Taiwan not gone ahead recently, not yours, other people's, and they're all saying they're not getting PPAs. So I'm just wondering, is there a disconnect?

Rasmus Errboe

Deepa, I don't think it is for me to opine on why other people are not moving forward with their projects. That doesn't feel right. What I can say is that if we look forward, the tender framework that is being put forward in Taiwan for the upcoming round is sort of based in a way also where local content is a smaller part of it, etcetera. But it is not for me to speak on other people's behalf.

As far as us, the construction for our project is moving forward according to plan on Changhua 2b and 4, and that was also the case broadly on Changhua 1 and 2a. So I think that's as far as I can take it.

Deepa Venkateswaran

Thank you.

Operator

The next question comes from James Carmichael from Berenberg. Please go ahead.

James Carmichael

Hi. I think I am not sure I have never, I was just wanted to go back to the Italian power prices that you referenced. I think it's EUR 130 per megawatt hour. Obviously, quite high when compared to the Spain example. But I guess if I was to put the AR7 prices in there, they'd be towards the top end of the range.

So just, I know you've guided to 30% cost reductions over the next sort of 10 years or so. But just wondering if there's anything that can be done in the near-term to bring offshore wind costs down and obviously feed through to power prices. Thanks.

Rasmus Errboe

Yes. And just to be clear, we are not active in Italy. It was just an example to basically show the impact of renewable penetration relative to gas in terms of the effect of what is the price saving technology in a given market.

But in terms of what is needed to bring down the cost for offshore wind, it is predictability. It is predictability on volumes. It is predictability on tender frameworks. It is standardization, and it is a commitment also from the industry to deliver.

I do believe that we see actually quite a bit of all of that right now. As an example, on the supply chain front, just the last three years, you have seen investments in European supply of around EUR 14 billion across ports, vessels and manufacturing. And you're also seeing companies, including Ørsted, who are strategically focused on being there and build offshore wind in Europe. And I think you have more examples of that. So those are some of the drivers to basically bring down cost for offshore wind towards 2040.

James Carmichael

Thank you.

Operator

The last question comes from Mark Freshney from UBS. Please go ahead.

Mark Freshney

Sorry, my question has just been answered. Thank you.

Operator

Okay. Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Rasmus Errboe for any closing remarks.

Rasmus Errboe

Thank you all very much for joining. We appreciate the interaction and we appreciate the interest. And as always, if you have any further questions, please do not hesitate to reach out - our IR team they will, of course, be here to answer them. Thank you. Stay safe, and have a great day.