Ørsted
Q2 2026 earnings call
Transcription

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Rasmus Errboe

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

The first half of 2026 has once again reminded us how quickly geopolitical tensions can impact global energy markets. The volatility has underlined the importance of European energy independence, which cannot be taken for granted. But these challenges also represent an opportunity for Europe to strengthen competitiveness for businesses through electrification and lowering of energy costs. An opportunity to ramp up production of home-grown, affordable and reliable energy, so global shocks to energy markets do not limit prosperity. Renewable energy is central to this necessary transition.

And as a reminder, each of the recent 10 years have been the 10 warmest years ever recorded on Earth, and combined with wildfires across Southern Europe this Summer, this obviously further underscores the need for a rapid acceleration of the energy transition.

To improve European sovereignty and resilience, increased investments into renewable energy is central and necessary. With the right actions now, offshore wind can provide several significant benefits for Europe and the energy transition as a whole. As we highlighted in our recent paper, "The Real Value of Offshore Wind", the build-out of renewables - with offshore wind as a significant component - can reduce annual fossil fuel imports by more than 30 % of the current import need. Further, these investments can reduce total European electricity system costs by up to 30 % by 2040, as the integration costs of solar and wind are marginal, compared to the large savings from reduced use of fossil fuels in power generation. Finally, the paper shows that an investment level into offshore wind in line with the ambitions outlined in the Hamburg Offshore Wind Investment Pact, can cut annual carbon emissions in Europe by 20 % compared to 2023 levels corresponding to 550 million tonnes of CO_2.

When we assess the outlook for offshore wind, we see several positive signs for our industry, and we remain optimistic about the prospects for the sector. In the short-term, there are several attractive offshore wind opportunities where the regulatory frameworks have improved and contributed to strengthening the investment certainty for future projects. We have seen improvements in the framework across several markets in Europe, including Denmark, U.K. and Poland. And most recently, the budget for the upcoming CfD tender round in the Netherlands was also increased.

Our solid progress across our major construction portfolio, where we continue to progress all projects on time and on budget, should also give policymakers and other key stakeholders increased confidence that the offshore wind industry can, in fact, deliver renewable energy at massive scale as long as sufficient volumes are tendered out on a recurring basis with the right frameworks.

In the mid to long term, the outlook for offshore wind, particularly in Europe, also remains strong. This is underlined by the 300 GW offshore wind build-out target agreed in Hamburg in January '26.

Compared to 2024 levels, this build-out in the North Sea would amount to an increase in the capacity of European offshore wind by a factor of 8, representing a significant growth opportunity for the industry.

And at the European political level, the need for an acceleration of the energy transition is also recognized. The recently proposed review of the EU Emissions Trading System reflects the EU's continued reliance on a rules-based carbon market as its central climate policy instrument. At the same time, the Electrification Action plan and the proposal on electricity network charges reinforces the Commission's focus on accelerating electrification across sectors to strengthen Europe's competitiveness, energy security and decarbonization, highlighting the need for continued investments in renewable generation, stronger electricity grids and greater system flexibility.

We are encouraged with the continued positive signs for our industry and we will continue to be a close partner to governments and industry peers to provide solutions for the acceleration of offshore wind. By continuing to deliver on our business plan, we will become a more focused, competitive and stronger company and we will assess the upcoming tenders and auctions with a disciplined approach to capital allocation as we are ready to pursue the most value-creating opportunities to remain the global leader in offshore wind.

Let's continue to Slide 5 and an update on the strategic priorities and our operational performance.

Our first priority is to strengthen our capital structure, and with the closing of the divestment of the European onshore business in April, we have made further progress on this. Also, the divestment of a 55 % stake in our Greater Changhua 2 project is still expected to close later this year following the commissioning of Greater Changhua 2b and 4. Lastly, our continued strong business performance is driving our solid earnings generation, which is supportive of our financial foundation.

With the measures we have taken during the last 18 months, we have the necessary robustness to pursue new value-creating opportunities within offshore wind, while also reinstating a dividend payout in line with our previous commitments. Trond will cover the details of the dividend policy later in the presentation.

Our second priority is to deliver on our 8.1 GW offshore wind construction portfolio where we expect to commission three projects with a total capacity of 2.5 GW this year. We have achieved significant progress during the quarter and are progressing according to schedule and budgets. I will shortly go through the construction progress in more detail.

Our third priority is a focused and disciplined approach to capital allocation. As we look ahead for new offshore wind opportunities in Europe and select markets in APAC, we will maintain our disciplined approach with a focus on value creation.

Our fourth priority is to improve our competitiveness, and we are continuing to progress as planned on numerous measures across our organization to achieve a stronger and more competitive Ørsted.

As part of improving our competitiveness, we recently outlined our decarbonization efforts towards 2040 in our 'Next Zero' paper, which describes how we, with our partners, will work to achieve cost-effective reductions of key emissions hotspots across the offshore wind value chain. Reducing value chain emissions is essential from a climate impact perspective and will improve our value proposition in future offshore wind auctions.

Turning to the operational highlights of the first half of the year. I'm very satisfied with our operational performance. Our EBITDA, excluding new partnerships and cancellation fees, amount to 15 billion, which is an increase of more than 1 billion compared to first half of 2025. This was driven by a ramp-up generation in Offshore and slightly higher than normal wind speeds. The performance was also supported by good availability within our Offshore business. Our financials for the first half of the year keeps us fully on track to deliver on our full year guidance.

When it comes to safety, we have seen an increase in our 'total recordable injury rate' compared to first half of 2025. The increase was primarily driven by an incident related to food poisoning at one of our power plants, which we consider a one-off event. In addition, the organizational adjustments undertaken means that a reduced share of our colleagues are working in the offices and relatively more are working directly at our assets. 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 day.

Let's turn to Slide 6 and an overview of our construction portfolio. I will start by covering our projects that are near commissioning and subsequently cover the other projects individually in more detail.

For Borkum Riffgrund 3, turbine commissioning is progressing as planned. The project is more than 99 % complete, and we are expecting to commission the project during the third quarter.

For Greater Changhua 2b and 4, the project ensured further progress during the quarter, as all turbines at Greater Changhua 4 have started producing power and completed all main scopes. In addition, the project has completed all the onshore works related to the upcoming repair of the export cable related to Greater Changhua 2b. With this, the degree of completion is now at 85 %, up from 80 % in the first quarter. The project remains focused on the installation and energization of the export cable for the Greater Changhua 2b section. The repair work is expected to be completed in the coming period, and subsequently, the export cable will be energized before turbine commissioning will commence. The project remains on schedule for commissioning at the back end of the third quarter.

For Revolution Wind in the U.S., the project continues to ramp-up production with the commissioning of turbines. Currently, the project has 61 of the 65 turbines installed and the project intends to install the remaining turbines this year. The project is more than 95 % complete and the project remains on track towards full commercial operations in the second half of 2026.

Turning to Slide 7 and an update on our Baltica 2 project in Poland.

During the quarter, the project has made significant progress, particularly with the installation of monopile foundations. Since the installation campaign was initiated in May this year, the project has installed 103 monopile foundations out of the planned 111, including all 4 of the monopile foundations for the offshore substations. This is a significant achievement by the team and a testament to the execution ability. With the progress achieved during the quarter, the degree of completion has increased to approximately 40 %, up from 30 % in the first quarter.

For the offshore substations, the manufacturing of the structures is progressing as planned. And in the third quarter, all four topsides will be transported to the site for installation later this year. The fabrication of the export and the array cables are progressing as planned, with two of the four export cables having passed final acceptance test. The onshore substation work is well progressed and nearing completion with onshore cables manufactured and installation on schedule.

In the coming period, the focus of the project will be the continued installation of the remaining turbine foundations and secondary structures as well as tracking progress on the cable manufacturing. Also, the load-out and transportation of the two complete export cables will commence in the third quarter and finally, the work on the onshore substation will continue, including termination of the cables to the onshore substation.

Turning to Slide 8 and an update on our Sunrise Wind project in the U.S. During the quarter, the project has continued to make solid progress. This includes both progress on the installation of turbine foundations, array cables and turbines. With the progress achieved during the quarter, the degree of completion has increased to approximately 50 %, up from 47 % in the first quarter.

For the installation of turbine foundations, the work has been resumed after the seasonal installation restrictions ended in May. Since the installation resumed, it has progressed well, with 77 of the 84 positions now installed. The remaining work on foundation installation is planned to be completed within the current installation window.

On turbine installation, a total of 20 turbines and 20 array cables have been installed. On the export cable, all sections have been installed, jointed and energized, and the offshore converter station has been energized. For the onshore substation, the converter station and export cable route is complete. In terms of turbine fabrication, all equipment remaining to be installed have been manufactured.

In the coming period, the project is expected to complete monopile installation and continue the installation of turbines and array cables. Commissioning works will also continue on the offshore converter station, and the project is expected to start commissioning of turbines later this year.

Turning to Slide 9 and an update on the progress at Hornsea 3 in the U.K. The project has made further progress across several scopes. Since the commencement of turbine foundation installation, the project has installed 43 out of the total of 197 positions. With the progress achieved during the quarter, the degree of completion has increased to approximately 30 %, up from 25 % in the first quarter.

Regarding the enabling and reinforcement works at the Norwich Main substation, where the project is due to connect to the U.K. transmission grid, the work is progressing according to the updated schedule and expected to be completed next month. We are continuing to engage closely with 'National Grid Electricity Transmission' and the 'National Energy System Operator' as they work to minimize the delay and mitigate any further delays from occurring and impacting the schedule.

On the export cable, the installation work has continued. For the offshore converter station that is already installed, the associated export cable has also now been installed and tested and is ready for energization. For the export cable to be installed at the project's second offshore converter station, the nearshore section has also been installed. The manufacturing of the mid and far-shore section is complete, and is planned to start installation later in the year.

In the coming period, the focus of the project is to progress foundation installation according to plan, with the manufacturing and supply foundations on track. Also, the installation of the project's second offshore converter station is planned for the third quarter, and finally, the installation of the turbines is planned to start later this year with two installation vessels that are currently active on other projects before commencing work on Hornsea 3.

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

Trond Westlie

Thank you, Rasmus, and good afternoon, everyone. Let's start with Slide 11 and the EBITDA for the second quarter of '26 and as always, unless I state otherwise, the numbers I refer to will be in Danish kroner.

In the quarter, our operational performance was in line with expectations and we delivered an EBITDA excluding new partnerships and cancellation fees of DKK 5.4 billion. Let me walk you through the main developments.

For our Offshore business, total earnings came in DKK 400 million higher than last year, coming from higher earnings within construction agreements, partly offset by slightly lower sites earnings. Sites earnings came in DKK 200 million lower compared to last year. In the second quarter, our trading business delivered earnings as expected, but not to the same extent as last year. During the quarter, a planned maintenance outage at Hornsea 1 during most of June also impacted earnings. And finally, there was year-over-year effect from Gode Wind 1 and Gode Wind 2 gradually stepping out of its subsidy during the first half year and is fully reflected in our full year guidance. This was partly offset by higher wind speeds in the quarter as well as higher power prices. Earnings from Offshore sites excluding contributions from trading activities, was approximately 5 % higher than the same period last year. Earnings within existing partnership increased compared to last year, mainly related to construction agreement from Hornsea 3 and updates to other construction agreements.

In our Onshore business, earnings decreased by approximately DKK 200 million compared to last year. This was mainly due to sale of components in second quarter of last year, which was not repeated this quarter while earnings from onshore sites were at the same level as last year.

Within Bioenergy & Other, earnings were in line with last year, driven by higher generation and prices at our combined heat and power plants. This was offset by a lower contribution from ancillary services and a provision related to our gas storages.

Then going to Slide 12. In the second quarter of '26, we incurred a non-cash impairment loss of DKK 1.2 billion relating to our U.S. offshore project as a result of an increase in the long-dated U.S. interest rates.

Our net profit for the quarter totalled DKK 700 million. Compared to last year, net profit was impacted by the non-cash impairment loss that I just described as well as lower EBITDA from "new partnerships" in second quarter of '25, that were not repeated in this quarter. Net profit adjusted for impairments, new partnerships and cancellation fees amounted to 1.9 billion this quarter versus 2.1 billion in the same quarter last year.

Adjusted for impairment and cancellation fees, our 'Return on Capital Employed' came in at 6.6 %, a decrease compared to last year due to lower EBITDA for the 12 months period and higher capital employed. The reported Return on Capital Employed came in at 3.1 %.

Let's turn to Slide 13 and our net interest-bearing debt and credit metrics.

At the end of second quarter, our net debt amounted to 22 billion, representing an increase of 700 million during the quarter.

'Cash flow operating activities' include contributions from our operational earnings as well as work in progress relating to the offshore construction portfolio and changes in other working capital.

'Divestments' mainly relate to the sale of our European Onshore portfolio. Our 'Gross investments' amounted to 10.1 billion, reflecting the continued investment into our renewable construction projects.

Our credit metric, 'FFO to Adjusted net debt' stood approximately at 45 % at the end of the second quarter which is well in line with our target of more than 30 %. The increase is driven by an increase in the 'Funds from Operations' over the last 12 months, the proceeds from the rights issue and closing of various farm-downs. At the end of the quarter, we had a total liquidity reserve of more than 115 billion.

We remain committed to a solid investment-grade rating, and in early July, we discontinued the rating engagement with Standard & Poor's as we continuously review the cost-benefit of maintaining multiple ratings and concluded that Moody's and Fitch provide sufficient coverage for our investor base. The decision will not change our funding plan or how we will be utilizing hybrids as they remain a permanent part of our capital stack. However, the decision will reduce the administrative burden and fees without affecting our capital market access.

Turning to Slide 14. I will introduce the dividend policy within our capital allocation principles.

Our capital allocation principles remain unchanged and are in a ranked order. Firstly, to have a strong balance sheet, targeting an FFO to adjusted net debt above 30 %, which is aligned with solid investment grade rating, as I just mentioned. Secondly, to reinstate the dividend for the financial year 2026 as we have committed to. And thirdly, a disciplined approach to pursue value-creating opportunities for further growth. Finally, we will consider additional shareholder remuneration should we be overcapitalized after 2027.

As previously communicated, we target to reinstate the dividend as part of the financial year 2026 with the first payout in 2027. This dividend policy will replace the previous one and the policy will apply for the financial years '26 to '28. The dividend amount will be announced together with the Annual Report for 2026 in February '27 and formerly proposed by the Board of Directors when calling for the Annual General Meeting in 2027.

We believe that within total shareholder returns, we can create more value through earnings growth rather than through higher dividend yield as the fundamentals and outlook for offshore wind across our core markets are strong. As such, the initial dividend level will be set reflecting: one, our continued commitment to a strong capital structure aligned with a solid investment-grade rating; two, the ongoing investments into 8.1 GW offshore wind construction program through '27. That includes, of course, the 90 billion of capital committed through 2026 and 2027. Three, the uncertainties regarding the ongoing regulatory risk for offshore wind in the U.S. together with ongoing legal and arbitration proceedings.

And four, our opportunities to invest into new value-creating growth.

Within this policy, the dividend amount is expected to start at a modest level and increase each year. As part of our second quarter '26 consensus, we received 13 contributions on 'Dividend Per Share' for '26 ranging from DKK 2 a share to DKK 5 a share. And while no decisions have been made at this point in time, we currently expect that the starting point of our dividend distribution to be in the lower part of this range.

Finally, let's turn to Slide 15 and our outlook for '26.

With the operational performance and progress on our construction portfolio, in line with expectation for the second quarter, we maintain our full year EBITDA guidance, excluding new partnerships and cancellation fees of more than DKK 28 million.

We still expect offshore business to come in higher than last year and onshore in line with '25. We have changed the directional guidance for Bioenergy & Other from 'in line' to 'lower' due to the lower contribution from ancillary services and a provision related to our gas storages in second quarter in '26.

On capex, we maintain our gross investment guidance for '26 of 50 to 55 billion.

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

Operator

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. And please respect only one question per participant and then you can go back to the queue for a second question. Anyone who has a question may press star and one at this time.

The first question comes from the line of Casper Blom from Danske Bank. Please go ahead.

Casper Blom

Thank you very much. And the first question from my side goes to the slide Trond has almost just presented about capital allocation. And the point about potential rebalancing measures if overcapitalized post 2027.

I assume this is a point that you've put in, in order to address the potential situation that you run out of projects to construct when done with the current construction portfolio. I was wondering if you could give any kind of indication as to when you would regard the balance sheet as being overcapitalized?

Is there a certain level of debt-to-EBITDA or FFO, whatever measure you would be looking at? Where you would say, okay, now we need to start returning cash somehow to shareholders? Thank you.

Rasmus Errboe

Hi, Casper. Thank you very much. As Trond also alluded to, we obviously have an implicit prioritization in our capital allocation principles where rebalancing is number 4 of the 4. I am quite bullish about our potential for laying the foundation for profitable growth for our shareholders.

We see ourselves as a growth company. We have set a new strategic direction last year. During the first 18 months of our turnaround plan, we have, which is also evident from this quarter, continued to deliver according to plan across all of the four priorities that we have as part of the updated strategy.

There is nothing that I have seen in, or let me put it differently, everything that I have seen, especially in Europe on the offshore wind side during the last 18 months have only made me more confident in the attractiveness of the market going forward while obviously continuing to have a razor-sharp focus on value and a very disciplined bidding on our side.

So if I look at the opportunities in all of our core markets, there are sort of five as an example, tenders coming up during the next 12 months, all with frameworks that make sense to us broadly speaking, there is ample opportunity for us to achieve sufficiently profitable growth for our shareholders.

Hence, also the guidance on a dividend that Trond gave before. So sort of speculating more into the future on potential metrics one day that would make you rebalance is very premature from my perspective.

Casper Blom

That's clear. Thanks a lot.

Operator

The next question comes from the line of Kristian Tornøe from SEB. Please go ahead.

Kristian Tornøe

Yes, thank you. I am just curious to get your view on the outcome of the Danish auction we saw recently. I mean from my side, it's difficult to conclude anything else that Vattenfall was fairly aggressive in its bid.

And obviously, this is interesting in regard to the comments you made several times, Rasmus, about value creation. So the centralized auction, I mean, do we need to change the competitive environment before you would actually be able to win capacity with the right value creation?

Rasmus Errboe

Thanks, Kristian. So first of all, when we look at new opportunities, new tenders, whether it's centralized tenders, proprietary tenders or whether it's project-specific M&A, we obviously both look at the strategic fit for us, and we also look at value. And obviously, Denmark is one of our core markets, and it is an attractive market for offshore wind. And the Danish politicians have, in many ways, provided a very good framework for the tenders.

That being said, when you allocate capital of this magnitude, projects that are five, six years before commissioning, after that, they will be there for, let's say, 30 years, you will obviously need to be very disciplined in your requirements to value and we are, and that also goes for opportunities in Denmark.

As I said before, if there is one place I am bullish, it is on the prospects for being able to get to that profitability in our core markets in Europe. I'm not going to speculate on the specific outcomes and bid levels in individual auctions. I focus on what we put forward ourselves. And I said, we put forward at a disciplined bid with a focus on value.

Kristian Tornøe

Thank you.

Operator

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

Alberto Gandolfi

Hi. Good afternoon. Thank you for taking my question. I am curious to see if you are willing to disclose how much is your work in progress. So how much capex have you spent for assets that give zero contribution to your P&L and cash flow?

And one of the reasons I'm asking is I'm trying to understand from a valuation perspective, but also your return on capital employed has an extremely conservative definition because you have all this capex spent with no contribution to the P&L. I'm trying to understand how from about 6.5%, you can go back to above 13%. And if you could disclose that figure that would be very helpful? Thank you so much.

Trond Westlie

We don't distinguish on our working capital level at that level, Alberto. So, I don't have a sort of a number in my head relative to how that sort of debt capital in our balance sheet relative to the return on capital employed.

Alberto Gandolfi

Can I try a logic to see if it makes any sense. Sorry, I didn't mean to interrupt.

Trond Westlie

I am waiting.

Alberto Gandolfi

So, thank you and apologies about that. No, I was thinking that it takes 2.5, 3 years or sometimes longer to build offshore. So if you have 50 billion, 55 billion capex per annum, is it reasonable to assume that your work in progress is perhaps 12 to 18 months of capex, some excluding onshore and so on? Would that be, you think, a crazy assumption on my side?

Trond Westlie

I think it that assumption is a bit sort of broad in sense because that also depends whether or not we have a construction agreement or if you take Baltica 2 50-50 agreement. On Sunrise, that would be right. On, for example, on Hornsea 3, it would not be right. We do have 100% of the capex in there, but part of the funding coming from our partner. So I would suggest that you take that discussion with the IR department, Alberto, to come closer on your logic.

Alberto Gandolfi

Thank you for your patience on. Thank you so much.

Operator

We now have a question from the line of Louis Boujard from Oddo. Please go ahead.

Louis Boujard

Yes, hi. Good afternoon and thank you for the presentation. Just wanting to bridge maybe a little bit H2 EBITDA that should be expected considering your guidance of 28 billion. I understand and I appreciate that you feel quite comfortable with your guidance at EBITDA level, but we need to make sure that apparently, I would expect that you need to post 13 billion of EBITDA in the second half to be compared to 11 billion that you posted last year. We know that you have some commissioning that are expected.

But at the same time, I think that some of these assets are supposed to already contribute at the moment because they're already very close to the commissioning date. So I would like to know if there is any sensitivity on your guidance potentially on the wind regime. Do you think that eventually a relatively, I would say, low wind regime in Q3, but most likely Q4 because Q3 is natural would eventually put in jeopardy the guidance for this year? Thank you very much.

Trond Westlie

When it comes to our guidance, you're absolutely correct that the first half has been slightly better than we have expected. That is mostly due to the wind and price, but also as a negative element in specifically in the second quarter in Bioenergy, slight negative. When we do our guidance, we do guide on the average wind element. So we do not sort of set our guidance up relative to speculation about the wind elements. We do the guiding on the basis of sort of the average.

So when it comes to the element, yes, we are in a good position to deliver on our '26 guidance of more than '28. But there is also uncertainties relative to development and also some sort of percentage of completion elements, time elements and other elements that are of decent amount of uncertainty. And therefore, we're holding the more than 28 stable.

Louis Boujard

Okay. Thanks for the clarification.

Operator

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

Dominic Nash

Good afternoon. Thank you for taking my question. Previously, I think you responded saying that you described offshore wind as a buyer's market when you were selling assets into it. But given the recent auction outcomes, particularly in the Danish, I think, 67 to 73 megawatt hour, which I think is quite a low return. Is it now more attractive to acquire projects and seabed positions from third parties rather than sort of bidding for them organically?

And on that, are you seeing a pipeline of potential attractive seabed leases or partially developed projects coming in as big oil is reappraising its positions or some of the early expansion and exuberance we heard from sort of three, four years ago starts to unwind? And where do you think the most compelling areas for this is? Thank you.

Rasmus Errboe

Thank you very much, Dominic. We see three avenues for growth for us. It is centralized tenders, it is the proprietary auctions in the UK as an example, Korea as an example, Australia as an example. And then we see what I sort of choose to call project-specific M&A.

So not, obviously not corporate M&A of any sense, but basically where you enter into a partnership with someone or entirely take over a project that has been won by others or developed by others in one shape or form, but well ahead of FID. Those are the three avenues for growth that we are working with and in the sense, it always has been for as long as I can remember.

I am not going to speculate on or share my view on, as I said before, winning clearing levels at individual bids, that can be in Denmark. It could have been AR6, AR7, it can be in Poland. It is for you, it is for all of us to just take a look at the numbers.

What I can say is that we see a healthy balance starting to emerge in the market, both in my view, when it comes to competitiveness or competition between developers, there are fewer than what we saw three, four, five years ago, where we also had a lot of oil majors in the mix, and there are predominantly companies that sort of have significant experience working with offshore wind and therefore, also typically looking at the projects in a sort, of through the same lens.

What is very important from a competition perspective is to ensure that we have frameworks that allow competition to play out. And that is what we continue the sort of that is the discussion we continue to have with the regulators across Europe that you allow competition to play out like you just saw in the Danish tender where you had bidder for, sorry, five bidders for Hesselø and you had two bidders for the North Sea because that allows a healthy competition.

So of course, you should take that comment also in the context of the sort of draft regulatory frameworks that we are seeing in many of our core markets, including in Germany. On the M&A side, I am not going to be more specific. We see a healthy balance. We see several opportunities coming to market, and we assess what comes, and we have three avenues of growth.

Dominic Nash

Thank you.

Operator

The next question comes from the line of Harry Wyburd from BNP Paribas. Please go ahead.

Harry Wyburd

Hi everyone. Thanks for taking my questions. I just want to say my question is singular. And I wanted to ask, get into a bit of detail on the German offshore wind auction. So the government released the framework, two-stage framework. Is that framework sufficient given the push by you and the industry for more CfD structured auctions? And is that an auction framework that you think you could work with and would be a good template for other countries to adopt in Europe? Thank you.

Rasmus Errboe

Thank you very much, Harry. So as I have said before, in terms of templates, I think the approach to tendering out offshore wind that we see in the UK, it remains a very good model. When I look at basically the latest draft framework that we sort of very recently received from the German

Ministry of Economic Affairs and Energy, there are clearly highlights in that. It is encouraging for me to see that the expansion targets for offshore wind remain unchanged in Germany, so 30 gigawatts by 2030, 40 gigawatts by 2035 and 70 gigawatts by 2045.

I am also encouraged by the fact that it is a return to CfDs to two-way CfDs that was, in our view, sort of about time to be a bit blunt in Germany. It is a very attractive market for offshore wind, and we are very pleased to see the return to two-sided CfDs. There are always mechanics in frameworks that can sort of, where we would have done it differently. And we will take that in the dialogue we have as part of the market hearing. I think that is the best forum for that. I am not going to comment on the caps of EUR 94 and EUR 96 with an opportunity to increase with up to 35%. I am just going to leave that uncommented for now. But just overall, say that we are pleased with the direction of travel that we see in Germany.

Harry Wyburd

Okay. Thank you very much.

Operator

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

Ahmed Farman

Yes thank you. Trond, maybe this is a question for you. I was just wondering whether we can get an update from you on the dynamics of the ITC market in the US. Obviously, we have seen some seabed leases since then. Your projects have moved further.

And as you are sort of highlighting today, they are progressing according to plan. So I just wanted to see if anything that has either changed your view or anything you see in the market in terms of the broader health of the market and monetization of ITCs. Thank you.

Trond Westlie

When it comes to the sort of the tax credit process, as I said in the last quarter, we have established the structure, the advisers, so moving along on time elements of the structure on the tax credits. So the development from last quarter is that the markets itself have become slightly more positive relative to certain areas of the US business is doing better that are used to using the tax credits.

So the marketing phase of the tax credits has been slightly better than what we have planned for. So when it comes to Revolution, that is in good progress. When it comes to Sunrise, that marketing process has not started yet. So we are in the process of assembling the structure on Sunrise and also doing the administration and sort of the back office work to get it established in the right fashion. So when it comes to the marketing elements on Sunrise, that has not started. But Revolution is going well ahead.

Ahmed Farman

So can I ask just a quick follow-up. When do you expect the marketing process on Sunrise to start?

Thank you.

Trond Westlie

The likelihood of that starting is not until beginning of '27.

Ahmed Farman

Thank you.

Operator

We now have a question from the line of Olly Jeffery from Deutsche Bank. Please go ahead.

Olly Jeffery

Thanks very much. Good afternoon. My question is around if we think about your EBITDA towards the end of this decade when you finish construction projects that you currently have on your books and then there being a bit of a gap until you potentially have new projects. You potentially could be involved in auctions in Belgium and the Netherlands later this year.

Am I understanding the COD for those is potentially '31, 2032? I would just be keen to kind of get your sense of, only on the gap would you be willing to tolerate kind of flattish EBITDA growth in absence of new projects? Or would you look to more try and look in the M&A market on a project basis to try and bridge some of that gap? And your thoughts on that would be great. Thank you.

Rasmus Errboe

Thanks a lot, Olly, absolutely. So if we just take one step back first and just look at our growth profile. Right now, as we have also discussed today, we remain on track to deliver on our guidance for this year of EBITDA of more than 28. And we have a guidance for next year of an EBITDA of more than 32.

We delivered a little bit more than DKK25 last year. In other words, the growth that we are seeing right now on our EBITDA in '26 and '27 expectedly is very, very significant. It is sort of plus 10% growth at least, especially a bit more next year across both years.

So we are looking at a few years now where we're on the back of sort of executing on our 8.1 gigawatt construction sort of program, which is a lot and also more than I would expect we would have any time soon in the future. We are seeing very significant growth. Relative to that, you are, of course, right that our growth will, in the most relevant scenarios, flatten in the years on the other side. So the back end of this decade.

That being said, as I have said a few times, if there's anywhere we are bullish, it is for the long-term prospects, and mid- to long-term prospects for offshore wind in Europe. And if we just take sort of the bucket of growth that I have talked about before, which is the centralized tenders, that's sort of the easiest one to talk to in this regard.

Then you are very much seeing potential CODs in the early '30s in many of the opportunities that could potentially be relevant. So if you look at, sort of just look at the tenders that are coming, just look at it factually without reading anything into where we may or may not be. The Netherlands, Belgium, Germany, the U.K. and Taiwan are 5 countries where there are tenders coming up the next 12 months, all of those projects, plus/minus will be with CODs in the early '30s sort of roughly again plus/minus on the same timeline as we saw for the Danish bids.

So there is a lot of opportunity out there still, and we remain very confident and very convinced that we will get our fair share of the profitable growth. In terms of sort of managing the gap, as you mentioned before. There is not a scenario where we will sacrifice value in our capital allocation to sort of fuel the machine, if you will. Of course, this challenge is not new to us. This was part of our strategic thinking also last year.

We have mapped our capabilities throughout the entire organization. We have a very firm view on how we will manage that at those years. And again, it is very subject to outcome of tenders, proprietary and centralized and also a potential project-specific M&A. This is the long game, and we are convinced about mid- to long-term growth for Ørsted.

Operator

We have now a question from the line of Peter Bisztyga from Bank of America.

Peter Bisztyga

Hi, good afternoon. Thanks for taking my question. Maybe sort of following on from that previous question. You've previously mentioned that you've got 6 or 7 gigawatts of safe-harbor equipment for onshore wind, solar and other technologies, like BESS, I guess, in the U.S.

And just sort of, I think in previous calls, you sort of mentioned that some of those projects could be advanced towards FID. Just sort of wondering what is the status of that endeavor? And why do you not see sort of the U.S. onshore business as potentially one of the things that could help bridge this kind of growth pocket as people like to call it in the last part of this decade? Thank you.

Rasmus Errboe

Thank you very much, Peter. We have, as you also referenced, we have a solid development pipeline of opportunities in our U.S. onshore business for the years to come. We have 6 to 7 gigawatts of capacity that meet the IRS definition of qualification through '29. And our development portfolio consists of a mix of solar, wind and also storage.

And I would say, our near-term portfolio is probably weighted more towards solar. We recently achieved COD on Old 300 BESS, so 250-megawatt battery in Texas. And we also CODed Badger Wind in Q1. So we continue to grow our U.S. onshore business, and it's going well.

The fundamentals for onshore in U.S. are good as has also been widely referenced in the market. In terms of our strategic direction, it is, as I have said before, our key focus in our capital allocation will be on offshore wind, predominantly in Europe, nothing has changed in that regard. As I also have said, I am more convinced than for a very long time about the prospects for offshore wind in Europe when I look at what has happened in the last 18 months.

We have separated our U.S. onshore business out, running in a sort of a separate entity. Finalized that last year, and it's going really well, and we have a solid business. We have growth opportunities and the team is delivering really well.

Peter Bisztyga

Okay. So maybe, sorry, just a follow-up. I mean, is it reasonable to assume that we could have some contribution from the U.S. onshore pipeline within the next 2, 3, 4 years?

Rasmus Errboe

We have an organization. We don't guide on volume. As you know, we guide on value. So I'm not going to throw out gigawatt ambitions or targets per year, also not for the U.S. onshore business. But we have a pipeline and we have a team and we have an organization that has opportunity to grow in the coming years.

Peter Bisztyga

Okay. Thank you very much.

Operator

The next question from the line of Jenny Ping from Citi. Please go ahead.

Jenny Ping

Thank you very much for the opportunity. A couple of operational-related questions, please. If I look at the Changhua 2b and 4 projects in terms of progress, you are still quite far out, I think, from being able to fully energize. And the progress versus 1Q seems to be quite slow relative to what you have achieved previously. I just wondered whether there's anything to read into there?

And then separately, looking at Revolution, you've installed incrementally, I think, one turbine within the last quarter. But obviously, I guess the majority of the effort has been going on to energizing and powering what you have. Is there any holdup in terms of vessels on the last few installation?

And then just lastly, on Hornsea 3, what's the latest around the sort of progress with National Grid in order to hit the target? If you can give us a little bit of detail there, that would be great. Thank you.

Rasmus Errboe

Absolutely, Jenny, thanks a lot. So, if we take them one by one, Changhua first or let me lift it up quickly before. All of the 3 projects that you referenced, so Changhua 2b and 4, Revolution and Hornsea 3 are moving forward according to plan, both on schedule and also on cost, just to be very clear.

If we take Changhua first, the degree of completion is now 85%. We have achieved first power on all turbines at Changhua 4. As you remember, the key focus for us has been on Changhua 2b on the export cable, so Changhua 2b is 24 out of the 66 turbines and Changhua 4 is 42 of the 66 turbines.

But on 2b, our focus has been on repairing the export cable, and that is what is, as we have said last time also, is pushing us to the back end of Q3 in terms of COD. And that was predominantly around getting the vessel on site. And everything is going according to plan in that regard.

The Calypso vessel, it is called from Van Oord is now on site. We're actually fixing the joint on the export cable as we speak. It's always, at this point, this time of year in Taiwan, you have the typhoon season, there is a bit of a focus on the weather windows. And this week, it looks good.

So, we are active right now. And then we expect to energize the cable very soon. And then on the back of that, we need to commission the remaining 24 turbines at Changhua 2b that have been installed.

So, we're working hard. The team is doing an excellent job, but we are moving forward according to plan, and we expect COD at the back end of Q3. On Revolution Wind, the degree of completion is 95%. And of course, if you compare it with the 94% of last quarter, of course, it's not that I don't understand your question. We are now at 61 turbines installed. But just as a reminder, we basically stopped turbine installation on Revolution Wind earlier in the year and moved the vessel Scylla from Cadeler to Sunrise. And that vessel has now installed 20 turbines on Sunrise, and that's going quite well.

And now we have returned the vessel to Revolution, and it has now installed one of the remaining five turbines, so we are at 61. And then we expect to install the remaining in Revolution in the coming weeks and months. So therefore, also here moving forward according to plan and the vast majority of the 65 turbines have first power.

On Hornsea 3, also, if you just take it from the top first, it's going really well on construction progress with a degree of completion of 30%, up from 25%, 43 monopiles installed, second offshore converter station to be installed, first one already in. So, sort of preparing for turbine installation in in Q4 '26. It's a huge project, but it is going forward according to plan.

Specifically, regarding the reinforcement work at the Norwich Main station that we talked about before, very much in the last quarter. It's also moving forward according to plan. We are working closely with the National Grid and the expectation is that the back-feed date will happen during September, which is also as we had planned. The risk has not gone away, obviously.

We continue to stay very closely and work very closely together with National Grid. But based on what we have seen since we spoke last time, we have, as of now, a good feeling about the back-feed date being reached as planned.

Jenny Ping

Super helpful. Thank you very much.

Operator

We have now a follow-up question from the line of Ahmed Farman from Jefferies. Please go ahead.

Ahmed Farman

Yes, thank you. Thank you for taking a follow-up, hopefully a brief one. Just broadly, just at a high level, anything specific on the U.S. policy around tariffs or any sort of Section 232 related issues that are on your mind that could be for the second half of this year? Or is that a fairly sort of clear path right now? Thank you. I'm obviously thinking more about Sunrise Wind. Thank you.

Trond Westlie

When it comes to the tariff updates, they did have a deadline or timeline relative to beginning of August now. I believe it was the 8th. What we hear is that we would likely not hear anything or see anything on the 232 until at least September.

So as of now, our preliminary evaluation relative to 50% tariffs on the parts and that has been understanding for quite some time is still in our estimates. On other things on the U.S. no, nothing has moved ahead. So, it has been sort of quiet for a period.

Ahmed Farman

Okay. Thank you.

Operator

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. As always, we appreciate the interaction and the interest. And if you have any further questions, please do not hesitate. Our IR team will be here to answer any one of them. Thank you. Stay safe, and have a great day.