Ørsted

Q3 2026 earnings call

Transcription

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Rasmus Errboe

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

As geopolitical uncertainty and volatility in global energy markets continue, the importance of strengthening European energy independence and industrial competitiveness has become increasingly clear. This is reflected across the broader European energy debate, and it is recognized that renewable energy, including offshore wind, will be critical to deliver on these objectives. The latest reminder about Europe's unsustainable exposure to fossil fuel price volatility was gas prices touching EUR 100 per MWh last week for the first time since 2022.

Across industry organizations, policymakers, and energy companies, there is growing alignment that accelerating electrification, expanding domestic renewable energy production, and strengthening energy infrastructure are needed. Electrification will be at the heart of Europe's energy transition, from industry and transport to heating and new sources of demand, such as data centers and AI. Making it affordable for industry and households means expanding competitive renewable electricity and the grids and infrastructure to deliver it. That requires the right conditions on both the supply and demand side, a credible deployment target, investment frameworks that reduce risk, faster grid development and permitting, cross-border coordination, stable regulation, and stronger incentives to electrify.

This has also been the trajectory for the European offshore wind industry, where the regulatory frameworks for upcoming opportunities continue to improve, strengthening the investment certainty for future projects. We have seen improvements in the frameworks across several of our European core markets, including Denmark, the UK, Poland, Belgium, and the Netherlands. And most recently, Germany approved a draft amendment of the Offshore Wind Energy Act, which includes the introduction of contracts for difference, CfDs, in the coming auction. The increasing adoption of CfD-based frameworks reflects a growing political recognition that supportive regulatory conditions are required to realize offshore wind capacity at scale.

During the third quarter of 2026, we have shown the exact benefits that we, together with partners, suppliers, customers, and regulators, can deliver in terms of secure, affordable, and homegrown energy. With the commissioning of 1.6 GW from Borkum Riffgrund 3 in Germany and Revolution Wind in the U.S. in recent months, we are taking a significant step in delivering on our large offshore wind construction portfolio. And with the strong strategic progress we have seen over the past 21 months, we have strengthened our position with a market-leading offshore wind portfolio with significant revenue visibility and ensured that we are in a robust position to pursue new value-accretive opportunities.

In the long-term, we are convinced that offshore wind will become an even more critical part of the energy mix, particularly in Europe. In the short- to medium-term, we are starting to see significant regulatory momentum. In 2027, there are more than 15 GW of new capacity auctions coming in our core markets in Europe and Asia Pacific. From 2028 to 2030, almost all countries in our core markets have already committed to additional auction rounds, including Germany, the

Netherlands, Denmark, and the UK. We are prepared to pursue these opportunities with a disciplined approach.

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 since we established our strategic priorities at the beginning of 2025, we have delivered significant progress on this. Within our divestment program, the only outstanding item is the closing of the divestment of a 55% stake in our Greater Changhua 2 project in Taiwan. The closing of the transaction is expected following the final commissioning of the Greater Changhua 2b and 4 project.

In September, we received a final opinion regarding the taxation rights related to the Walney Extension and Hornsea 1 offshore wind farms in the UK. The outcome was consistent with our longstanding interpretation of international tax regulations, and we are satisfied with this outcome. In combination with the successful outcome of the Elsam case just before the summer, these are significant steps to further derisk our balance sheet.

Our second priority is to deliver on our offshore wind construction portfolio. In addition to the final commissioning of the 1.6 GW offshore wind projects, we have achieved significant progress across all projects, which are all progressing according to plan and budget. I will shortly go through the construction progress in detail.

Our third priority is to ensure a focused and disciplined approach to capital allocation, where our key focus going forward primarily will be on offshore wind in Europe and select markets in APAC. We will continue to stay disciplined with a focus on value creation in all our core markets.

We also continue to develop our U.S. onshore business, which continues to perform well and benefit from strong fundamentals. In September, we commenced construction of our Blackwater Solar Project, a 200 MW solar farm in Roosevelt County, New Mexico. The project is planned to deliver power under a long-term corporate power purchase agreement, demonstrating our ability to meet customer demand with reliable, affordable power solutions while utilizing a domestic supply chain. The project is expected to reach commercial operations in the second half of 2027. We also continue to move forward our U.S. onshore pipeline, where we benefit from having more than 6 GW of safe harbored equipment for tax credits.

In October, we exercised a longstanding buyback right to acquire the remaining ownership stake of the Gunfleet Sands 1 and 2 projects in the UK for a total consideration of approximately GBP 15 million. The full project ownership will enable us to capture the full value potential of the asset and provide greater flexibility when assessing the possibilities for a lifetime extension.

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.

Turning to the operational highlights for the first nine months, I am satisfied with our operational performance. Our EBITDA, excluding new partnerships and cancellation fees, amounted to more than DKK 20 billion, which is an increase of nearly 20% compared to the first nine months of 2025.

This was driven by ramp-up generation in offshore, slightly higher than normal wind speeds, and higher power prices.

When it comes to safety, we have seen an increase in our total recordable injury rate compared to the first nine months of 2025. The increase was primarily driven by incidents related to our own employees. For contractor employees, we have seen a reduction in the number of incidents, while the number of hours worked also decreased. Safety remains a top priority for us and our employees, and we continue to emphasize our safety commitments through targeted initiatives, including a strengthening of supervision and increasing frontline presence as well as sharing of best practices with suppliers, all aimed at preventing incidents and bringing our people home safe every single day.

Let's turn to Slide 6 and an overview of our construction projects. I will start by covering our projects that either have entered commercial operations or are coming close to it, and subsequently cover the remaining projects individually in detail.

In August, our Borkum Riffgrund 3 project in Germany entered into commercial operations. With an installed capacity of 913 MW, the project is one of Germany's largest offshore wind farms in operation. The project demonstrates how large-scale offshore wind can strengthen energy security by delivering reliable homegrown electricity to German industry and households. The project mobilized a broad European supply chain, leveraging wind turbines and foundations from Germany and Denmark, cables from Germany and France and installation vessels from the Netherlands and Belgium. The commissioning of the project is a tremendous milestone, both for us, our suppliers, and the German offshore wind industry. With our sixth wind farm now operational in the German North Sea, we further consolidate our market-leading position.

At Revolution Wind in the U.S., we completed the installation of the remaining turbines during the quarter. Subsequently, the project began commercial operations under the PPAs, now delivering power under the project's offtake contracts to the states of Rhode Island and Connecticut. The project will supply enough electricity to power more than 350,000 homes and businesses. This is a major milestone. And I am very pleased with the resilience and efforts that the team has demonstrated to achieve this.

At Greater Changhua 2b and Greater Changhua 4 in Taiwan, we continue to progress the commissioning of the project. During the third quarter, we completed installation of the export cable related to Greater Changhua 2b and subsequently started delivering power from the installed turbines.

During the quarter, the project experienced a thermal and a blade incident at two separate turbines, which had already been commissioned. No injuries occurred, and the project's remaining wind turbines continue to operate. The turbine supplier is leading a thorough investigation of both incidents and the preliminary analyses have identified the origin of the incidents. It has been confirmed that the blade incident is expected to be a single event, and that the cause of the thermal incident can be mitigated going forward with measures already available as part of the

regular maintenance. The affected wind turbines are under supplier warranty and a repair plan for the two turbines has been developed and agreed with the supplier. All 66 turbines have delivered first power and besides two turbines, all have now been commissioned. We are working together with key suppliers to commission the final two turbines and expect to achieve full commissioning during Q4 2026.

Turning to slide seven and an update on our Baltica 2 project in Poland.

During the quarter, the project achieved a significant milestone, as the installation of all 111 monopile foundations was completed, including the four foundations for the offshore substations. The manufacturing of the four offshore substations was also completed during the quarter. And they are now in transit to the site for installation before the end of the year. With the progress achieved during the quarter, the degree of completion has increased to approximately 45%, up from 40% last quarter.

The fabrication of the export and array cables are also progressing well. Two of the four export cables are complete and are being transported to the site for installation start around year-end. The array cables are also being transported to site and installation will commence during the first quarter of 2027. The onshore substation work is also progressing, with focus on testing and commissioning.

In the coming period, the focus of the project will be on finalizing the installation of the secondary structures for the foundations and commence the installation of the four topsides and export cables.

Turning to Slide 8 and an update on our Sunrise Wind project in the U.S.

The project has continued to make solid progress during the quarter. This includes the completion of turbine foundation installation, as well as continued progress on the installation of turbines and array cables. With the progress achieved during the quarter, the degree of completion has increased to approximately 60%, up from 50% in the second quarter.

At this stage, the project has completed the installation of several major scopes, including the onshore substation, the export cables, the offshore converter station, as well as the turbine foundations. The remaining installation work relates to turbines and array cables. Of the project's 84 positions, a total of 31 turbines and 78 array cables have been installed. The installation of array cables is expected to be completed before the end of the year. And turbine installation is expected to continue over the winter and be completed in 2027. Also, the project is focused on continued commissioning works on the offshore converter station. The commissioning of the first turbines is planned to start around the end of the year and the project remains on track to full commissioning in the second half of 2027.

In terms of turbine fabrication, all equipment remaining to be installed have been manufactured. Consistent with ongoing activity, the project will continue planned imports of a range of components, including blades, towers and nacelles into the U.S. as installation work progresses.

Turning to Slide 9 and an update on the progress on Hornsea 3 in the UK.

The project made significant progress as the installation of the second offshore converter station was completed. Also, the project has progressed the installation of turbine foundations, with now 95 of the total 197 positions installed. With the progress achieved during the quarter, the degree of completion has increased to approximately 40%, up from 30% in the second quarter.

In late September, the initial enabling and reinforcement works at the Norwich Main Substation, where Hornsea 3 is due to connect to the UK transmission system, were completed according to schedule. The outages required to achieve the backfeed to Hornsea 3's first link have been completed, which means Hornsea 3 now has an initial grid connection and we continue to track towards planned first power and commissioning. On the two export cables, one is fully installed and the other cable has now installed both the near and mid-shore sections, with installation of the far shore section progressing according to plan.

In the coming period, the focus of the project is to progress foundation installation, with the manufacturing and supply of foundations continuing on track. Also, the installation of both array cables and turbines is planned to commence before year-end. The two turbine installation vessels are currently active on other projects before commencing work on Hornsea 3.

Finally, we have completed the construction of the 300 MW battery energy storage system co-located with the Hornsea 3 onshore converter station. The battery system will be one of Europe's largest and will now start the testing phase.

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

Trond Westlie

Thank you, Rasmus. And good afternoon from me, everyone, as well. Let's start with slide 11 and the EBITDA for the third quarter. Unless I state otherwise, the numbers I refer to will be in Danish kroner.

In the quarter, our financial performance was in line with expectations. And we delivered an EBITDA excluding new partnership and cancellation fees of DKK 5.3 billion. Let me walk you through the main developments.

For our offshore business, total earnings came in at DKK 3.7 billion, an increase of 68% compared to last year and with improvements across all sub-segments. Site's earnings reported a positive development driven by a ramp-up of Greater Changhua 2b and 4 and Revolution Wind, higher wind speeds, higher power prices and higher contributions from our trading activities. Earnings within existing partnership increased from Hornsea 3 construction agreement, while a negative effect last year related to Greater Changhua 4's array cable was not repeated.

In our onshore business, earning increased to DKK 1 billion, an increase of 24% compared to last year. This was mainly due to new generation from Badger Wind and higher wind speeds. This was

partly offset by lower earnings following the divestment of the European onshore business earlier this year.

Within Bioenergy and Other, earnings increased to DKK 400 million compared to negative DKK 100 million last year, driven by higher power prices, which has led to higher condensing power generation within our combined heat and power plants.

Let's turn to Slide 12.

In Q3 2026, we incurred an accounting technical non-cash impairment loss of DKK 3.4 billion relating to our U.S. onshore and offshore projects as a result of the 75 basis points increase of the long-dated U.S. interest rates during the third quarter.

Our net profit for the quarter totalled a negative DKK 700 million, an improvement of DKK 1 billion compared to last year. While the net profit was impacted by these non-cash impairments, it was partly offset by higher EBITDA this quarter. Net profit adjusted for impairments, new partnership, and cancellation fees amounted to DKK 2.2 billion this quarter versus negative DKK 400 million in the same quarter last year.

Adjusted for impairments and cancellation fees, our return on capital employed came in at 7.4 %, a decrease compared to last year due to higher capital employed.

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

At the end of third quarter, our net debt amounted to DKK 38 billion, representing an increase of approximately DKK 16 billion during the quarter, also in line with expectations.

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

'Divestments' mainly relate to adjustments to the legacy divestments of our upstream oil and gas business.

Our 'Gross Investments' amounted to just above DKK 10 billion, reflecting the continued investment into our renewable construction projects.

Upon closing of the announced divestment of a 55% stake in Greater Changhua 2 project, our net debt will be reduced by approximately DKK 25 billion. The transaction is expected to close around year-end, following final commissioning of the Greater Changhua 2b and 4 project.

Our key credit metrics, FFO to adjusted net debt, stood at approximately 37 % at the end of the third quarter, which is well in line with our target of more than 30 %. The increase is driven by higher funds from operation over the last 12 months, the proceeds from the rights issue, and closing of various fundings.

At the end of the quarter, we had a total liquidity reserve of more than DKK 105 billion. Our liquidity and debt portfolio are well protected from increases in interest rate, as more than 90 % of

our outstanding gross debt is fixed rate, with an average modified duration of around five years.

Finally, let's turn to Slide 14 and our outlook for 2026.

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

On capex, we expect our gross investments to amount to DKK 45 billion to 50 billion, which is DKK 5 billion lower than previous guidance. The lowered expectation is due to changed timing of payments of certain offshore wind construction projects. The total projects' investments are not expected to change.

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 in 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 note that this call will have to end no later than 15:30. 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 Kristian Tornøe from SEB. Please go ahead.

Kristian Tornøe

Yes, thank you, and good afternoon. My question is regarding your ability to add new capacity post your current construction portfolio, as we've discussed previously. My claim would be Hornsea 4 is probably one of your best cards.

Therefore, obviously, the announcement by the UK Energy Minister that the government wants to pause before running AR9 seems like a potential risk for you. Can you elaborate on the situation and what it would mean for you if they end up, say, delaying AR9 by a year?

Rasmus Errboe

Thank you, Kristian. We have, of course, noted the statements from both the Chancellor and then later from the Energy Minister in the UK. We don't see any real change here, both when it comes to broad support in the UK for renewables and also specifically for the plans on Hornsea 4.

It is still about affordability. It is still about value for money, and that was also clear from the recent

statements. We believe that bottom-fixed offshore wind delivers exactly that for the UK. Specifically on Hornsea 4, we don't read the statements as if there is a delay for AR9 in any way. We continue to move Hornsea 4 forward. The project is back in development, as you know, and it continues to be an important project in our portfolio. When and how we bid in is too early to say.

Kristian Tornøe

Fair enough. Thank you.

Operator

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

Peter Bisztyga

Yeah. Hi, it's Peter Bisztyga from Bank of America. Thanks for taking my question. Could I just ask, why are you not more optimistic on your EBITDA outlook for the full year at this stage? Because it's quite clear that wind output has been above expectations.

You seem to have benefited from higher-than-expected power prices, particularly in your bioenergy business. So I'm just wondering, in the remaining kind of two months, what do you foresee that meant you didn't feel confident in upgrading your guidance at this stage, please?

Trond Westlie

Well, thank you, Peter. As we say, we are guiding above DKK 28 bn, and as you say, we have a good drive throughout the first nine months, specifically in the third quarter. But when we look at the expectations that the analysts have for the full year relative to how we see the progress, we do think that our guidance on the above DKK 28 bn is the right one relative to see how the year-end pans out. Having said that, there is, of course, a good drive in the market right now, and we are only guiding on the average wind speed.

Peter Bisztyga

Average wind speeds for the remainder of the year from here, I presume, or for Q4 as a whole?

Trond Westlie

That's correct.

Peter Bisztyga

Thank you.

Operator

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

Harry Wyburd

Hi, everyone. Hi, Rasmus. Hi, Trond. Forgive me, this is a bit of a strategic one, but it's brought on for

good reasons given the de-risking that we're seeing in your U.S. portfolio. I think what that's probably going to do is make us all a bit more focused on the longer term growth of the business and the growth of earnings, and potentially you might come with a CMD or a market update next year.

Obviously, you seem to have shied away from big dividends. It doesn't look like you're going to go for growth. My question is this. I think we're all angling for a couple of billion shy of about DKK 40 billion by 2028 of EBITDA.

If you wanted to be a growth company and deliver a high single-digit EBITDA CAGR, you would probably need to at least double that EBITDA over the following decade. You would be looking to find DKK 40 billion plus on very rough math and I know there is lots of pitfalls with this you have a lot of subsidies rolling off.

I am not saying I am going to get this perfectly right, but maybe something around the DKK 10 billion, maybe even DKK 15 billion mark of subsidy roll-offs in the 2030s. You would be shooting for close to DKK 60 billion of annualized EBITDA that you would need to add in the decade after you reach 2028 to be a growth company. And that is an awful lot.

If you put that on a sort of rough EBITDA to capex number, you would be looking at sort of half a trillion kroner of CAPEX you would need to deploy to kind of get to that level of EBITDA growth. My question is, how plausible is that?

Do you really think you can really get the auction pipeline running, be running at sort of DKK 50 billion plus a year of capex, and therefore deliver a high single-digit EBITDA CAGR? Is that something you would feel confident that you could guide to if you had a CMD next year or is there anything I have got wrong with the mathematics there?

Rasmus Errboe

Thank you, Harry. There are quite a few underlying assumptions in your question, but let us just a few perspective from my side. First of all, we do grow quite significantly right now, as is evident to everybody. We had an EBITDA around DKK 25 billion last year. We guide more than DKK 28 billion this year. We have, as part of the rights issue, guided on above DKK 32 billion for the year after.

You are seeing a year-on-year growth according to those numbers of sort of above 10 %. That is, of course, very steep. As I also have said earlier today, just if you look at our earnings for the first nine months relative to the first nine months last year, we are up 19 % on EBITDA. In the period after that, from 2028 to 2030, it will slow down. The growth will slow down relative to what I just outlined.

That is clear. Growth will come in that period of time. We also have our U.S. onshore business and so on. Then, of course, it depends on the success rate we will have in the tenders that we are seeing in terms of the growth after that in the early 2030s.

We, as you know, we see ourselves as a growth company, which is also why we have guided as we

have on our expectations for dividend next year. And everything I have seen in the last 20 months since I took over has only made me more convinced about the prospects for offshore wind in our core markets. There are more than 15 GW being tendered out in our core markets during the next 12 months.

Most markets have confirmed further rounds after that. So yes, we do see us certainly as a growth company also within the 2030s. And also considering the effect that will come of very likely but of course, it is far out in time. There is an effect coming obviously from subsidies rolling off but then you start to make assumptions about power prices in the mid-2030s.

Many things can happen in between also in terms of our possibilities for improving the revenue line on our projects. We see ourselves as a net growth company in 2030s. And that is as far as I can take it, Harry. Then you are right, we will probably come back and give a bit more feedback to the market during 2027.

Harry Wyburd

Got it. Thank you very much. Thanks, Rasmus.

Operator

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

Rob Pulleyn

Thanks very much for the comments so far and for taking some more questions. If we can turn to the U.S. and the topic of tax credits. So a few sort of multi-part, if you will, but one question nonetheless. Firstly, could you give us an update on the marketing of the tax credits? Should we be more optimistic on the demand for this, obviously, in light of some of the changes in the U.S.?

And specifically, if I recall, there is a 10 % tax bonus or kicker, which was requiring treasury sign-off upon commissioning of Revolution and Sunrise. Now we have reached this point on Revolution. Could you give us some update as to whether treasury has or is pending sign-off of that final tax credit tranche? Thank you very much.

Trond Westlie

When it comes to the tax credit process, the tax credit process on Revolution is advancing, as we have said before. Slightly more positive than it was in the beginning of the year, but basically remaining at that same trend as we said last quarter. So we are in good selling mode and basically have companies signing up. So we believe that we are, well, basically delivering as planned.

When it comes to the extra 10% relative to the community element that is, of course a sign-off at the end of the project, and that has been confirmed. So yes, everything is in order and as I said, the progress is moving ahead on Revolution. On Sunrise, we are in the process of structuring that process as well.

And we are assembling sort of the equity investors on that. Not signed yet but it is progressing as

we have expected. So all in all, a good progress and right now, we are still delivering as planned.

Rob Pulleyn

Thanks very much and encouraging that that 10% has been signed off for Revolution. Thank you very much.

Operator

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

Jenny Ping

Thank you very much. A couple of questions from me, please. Just in terms of the use of your balance sheet while you wait for some of these projects to. Some of these auctions to come to a final decision. You obviously talked about the opportunities on the project level M&A before.

I am obviously not asking whether you are going to do anything specific but I just wondered whether you can maybe give us some commentaries in terms of what you are seeing in the market, whether there are any opportunities.

And where they would be geographically. Then secondly, just on the onshore business, you obviously talked about the safe harboring opportunities. And if I heard you correctly earlier, Rasmus, you talked to the growth from onshore in the 2028 to 2030 timeframe. So, can we rule out you selling that business now?

Obviously, it is a separate entity and you could go down that route, but all the signs seem to be pointing that this is a business you would like to retain, at least for now. Thank you.

Rasmus Errboe

Thank you. Thank you, Jenny. So, two questions. If we take them one-by-one. On project M&A, you are right that it is one of the three buckets in terms of potential growth for us, together with our proprietary pipeline. and then also centralized tenders. We continue to look at what comes up. Nothing has changed in that regard. And you are right, it is a bit difficult for me to talk about that in more specificity.

What I would say is that we only potentially talk about project M&A as you know. And then also, I would not put too much emphasis on that relative to the opportunities we see from tenders. We continue to see the framework for centralized tenders in our core markets to improve. We are seeing it now in Germany with CfDs, in Denmark, CfDs in the Netherlands, CfDs in Belgium.

We talked about the UK next year. So, more than 15 GW in the next 12 months in our core markets. So, that is still our main bucket for future growth, is the best expectation. In terms of our U.S. onshore business, Jenny, as you know, I never comment on rumors on M&A and that also goes here. What I can say is that we continue to be very pleased with our U.S. onshore business.

As you also noted, we have spent some time now and we are done with basically separating it out

as a separate unit, separate U.S. leadership team, processes, etcetera. And you also heard correctly that we do have a very attractive pipeline in our view, exemplified with more than 6 GW of projects or equipment for projects that is safe harboured for tax equity purposes.

The projects that get presented to Trond and me from our U.S. onshore business look very attractive from a value perspective. We continue to be pleased with our U.S. onshore business and the performance of the business.

Jenny Ping

Sorry, did I hear you right, though, earlier that you talk about growth from the onshore business in the period 2028 to 2030?

Rasmus Errboe

Yes, you did.

Jenny Ping

Okay. Thank you very much.

Operator

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

Alberto Gandolfi

Thank you, operator, and thank you for taking my question. I just wanted to pick up, Rasmus on your earlier comment about becoming a growth company and at the same time having a disciplined approach. I wanted to ask if you could please elaborate and provide more granularity on how you're thinking about bidding for new offshore projects in terms of IRR minus WACC absolute IRR, if this is now a metric you think of adopting.

And what measures have you taken to avoid a repetition of some of the issues we had in the previous growth cycle in terms of cost overruns and cost control? And that would be it. Thank you so much.

Rasmus Errboe

Thank you, Alberto. First of all, in terms of the hurdle rates and spread to WACC, you know that our external guidance is that we guide on a minimum spread to WACC of 150 to 300 basis points on what we put forward for investments. And then on top of that, we also work obviously, with internal hurdle rates on IRR unlevered. Of course, you do that also to deliver on your ROCE targets and so on. And those hurdle rates we would like to keep for ourselves.

But you have heard me from day one since I took over talking about value over volume. And you have seen in our actions that we are very disciplined when it comes to value, so it's not just talk. In terms of the measures taken in our business model to prevent you can say, challenges from the past. I think the best way you can look at it is just look at our performance now on the construction

side during the last 20 months. We are on time and on budget across all of our projects.

We continue to spend a lot of time getting it right and we continue to deliver. And that is a way of seeing that we are very much in control. Also, from a risk management perspective and the way we think about it, as I have also talked about before. We will, to a larger extent, engage in partnerships ahead of potential future opportunities. Also to basically prevent sitting on a significant farm-down risk and also have the flexibility to only having to farm down if we see sufficient value.

And that then obviously logically ties to the last element of how we are in a very different position now. That is the fact that we have a very, very robust balance sheet relative to what we have had before. So, we do not in any way have to sacrifice value for the benefit of our balance sheet, also when we think about farm-downs and capital allocation. So, I think those are just some of the measures that we have taken.

And then obviously, all of the focus that we have on adjusting our approach in our organization also feeds into the competitiveness in the bids that we put forward.

Alberto Gandolfi

Thank you.

Operator

The next question comes from the line of Olly Jeffery from Deutsche Bank. Please go ahead.

Olly Jeffery

Thank you so much and thanks for taking my question. I want to come back to the offshore wind auction processes, where we will get a whole bunch of results next year. The question I have is, out of the auctions that are outside of AR9?

Are any of those processes where you feel you have a particularly strong chance and if so, why? And then also, if I may ask just about the proposed plans in Germany, my understanding is it will be a merchant generation round first and if that fails, it will move to CfD. Do you think that structure, if that is right, is an appropriate one? Thank you.

Rasmus Errboe

Thank you very much, Olly. Olly, not to disappoint, but I am not directly or indirectly guiding about which tenders in particular we would be leaning into in a highly competitive environment for offshore wind in Europe. That would not be a sensible thing to do.

I can just repeat the opportunity space that we have, where everybody, of course, knows that we have submitted a bid in Taiwan. And then just look at what is coming. There is a tender coming in the Netherlands now, a couple of GW. There is a tender coming in Belgium.

There is a tender coming in Germany. There is a tender coming in the UK. And then on the other side of that, you will continue to see tenders coming in our core markets. So we will look and we will be

patient, look for value, but I am not going to indicate which ones we go for and which ones we decide not to go for.

In terms of your question on the framework for the upcoming CfD auctions in Germany, you are right that the way it is framed right now is that there is this first stop with a merchant and then followed by CfDs. Our view is that that is an unnecessary first step.

We think that the industry is better served by going straight to CfDs, the same way as we see it in basically all other markets than Germany. And then if a developer may find that it is better to take the project forward on a PPA, should that be the case, then you can opt out at a later point in time or before the start of the CfD.

So we find the first step as an unnecessary step and we believe that what is needed for the industry to be able to bring down cost is consistent, repetitive tendering of offshore wind via CfDs across Europe. That allows for the necessary predictability that then drives cost down.

We do not want to have empty factories and we have seen also with the tenders in Germany in 2022, 2023, how that can lead to be the case. But overall, we are pleased with the direction of travel also in Germany when it comes to tendering out these also with CfDs.

Olly Jeffery

Thanks, Rasmus.

Operator

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

Mark Freshney

Hello. Thank you for taking my question. Just regarding the options to buy back some of the wind farms that you've partnered with, I mean, clearly we're seeing Gunfleet. Do you intend to exercise the option to buy back the UK CfD asset minority from Brookfield, which I think the option kicks in right at the very end of this year?

And is there anything like that that you can do across the portfolio? And just to pin you down Trond on something you spoke about earlier, of the tax equity on revolution, which I think DKK 7 billion of cash in is a fairly conservative assumption, how much of that DKK 7 billion have you actually managed to monetize so far? Thank you.

Trond Westlie

Thank you, Mark. To take the last question first, I'm not going to comment on how much of the tax equity is signed off and how much is monetized until we have close to finalized the tax equity part. So it is well progressed and we are signing up investors, so we are comfortable that our assumptions in the projects is going to be delivered.

But as of now, I'm not going to comment more on the details. When it comes to the options, we do

have a few options in the portfolio, not many. The Makalu is, of course, one of the bigger ones.

That is, of course, coming up, as I said, in the end of or towards 2030 and then we have a few smaller ones from early stage. We're not going to comment on that, but I do not think that you should expect that would be an avenue of growth going forward.

Mark Freshney

Thank you.

Operator

The next question comes from the line of Louis Boujard from ODDO. Please go ahead.

Louis Boujard

Yes. Hi. Good afternoon and thank you for the presentation. I will stick to one question, but could you please maybe provide, if possible, a little bit of quantity or volume that eventually could match your target growth? You highlight 15 GW of European offshore capacity to be auctioned by the end of 2027. According to you, how many projects can you realistically pursue while you can maintain your FFO net debt at 30%? What would be the appropriate level according to you? Thank you.

Rasmus Errboe

Thank you, Louis. And just to clarify, the more than 15 is in our core markets. So not just Europe, but also including Taiwan. And in terms of the other part of your question, so how much could you actually take on and still be above your FFO net debt of 30% is something that I do not want to do because it is not the way we think.

If the value is there, if the projects are there, we will find a way. If the value is not there, we will not. So it comes really truly back to value rather than solving for the balance sheet. We have now a very robust balance sheet with a lot of flexibility.

Louis Boujard

Does that mean, can I just do a very quick follow-up then?

Rasmus Errboe

Yes.

Louis Boujard

Yeah. Thank you. Does that mean then, regarding the financing, that you could eventually consider additional financing tools such as right issue or hybrid if needed in order to indeed capture further growth potential if the market is ready for a large win on your side?

Trond Westlie

Well, Louis, I do think that when it comes to the funding and the structuring of the project going forward, we are more looking for partnerships early on. We are looking for opportunities of course, asset level project financing where possible, also together with partnering.

So we do see the structure of how to align in this industry and how to take on bigger projects. And also have an EPC organization that can take on such a project in a slightly different funding fashion, and alignment with partners that we have seen before. So we are considering many other things, but looking at the equity portion of Ørsted, relative to hybrids or equity in this sense, is not an option.

Louis Boujard

Thank you.

Operator

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

Casper Blom

Thank you very much. A question regarding Sunrise Wind, please. Because we've now seen the U.S. not really come with a decision regarding the Section 232 tariffs, but rather talk about 180 days pause. Does this mean that you'll be able to import the remaining components for Sunrise and within the current rules, thereby potentially avoiding any future increase to tariffs, should one like that come? Thank you.

Rasmus Errboe

Casper, you are, of course, right that we have noted the recent proclamation on Section 232 coming out of the U.S. And as such it is not one that has an immediate impact on the construction operations of Sunrise simply because it is a proclamation saying that there will be no further tariffs up to 180 days.

Of course, if you assume that nothing will happen at all during the 180 days, then you are into May next year, and at that point in time, yes, we will be very progressed with the project. But I'm not going to be very specific about exactly how many blades, towers and nacelles we would then have left to import at that point in time, but we would be very progressed with the project.

We have optimized the project and the fabrication and import schedule a while ago. We always do that. It's a normal part of our business, and that is also the case here. The recent statement on Section 232 does not change anything in terms of how we construct the project.

Casper Blom

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. We appreciate the interaction and the interest. As always, if you have further questions, please don't hesitate. Our IR team will be here to answer all of them. Thank you, stay safe and have a great day.