Press release

Despite expansion gap - offshore wind energy industry in Germany with positive prospects

- **In the first half of 2020, only 219 MW of offshore wind energy was installed in Germany, as of 30 June the total capacity was 7,760 MW**
- **Industry welcomes long-term planning security with increased expansion targets up to 2040 and calls for an economically efficient remuneration model**
- **Creation of an incentive system for the market ramp-up of green hydrogen is important**
- **EU Council Presidency and North Sea Cooperation: Laying the foundation for cross-border offshore wind projects**
- **Offshore wind energy will make a significant contribution to the "Green Recovery"**

Berlin, 17 July 2020 - "Particularly against the background of the low level of new installations, we appreciate that the anchoring of 20 GW offshore wind energy by 2030 and 40 GW by 2040 now creates long-term planning security. With the increased expansion targets, offshore wind energy strengthens climate protection and creates economic development", the industry organisations BWE, BWO, VDMA, WAB and the German Offshore Wind Energy Foundation comment on the offshore expansion figures published today by Deutsche WindGuard.

As forecast at the beginning of the year, only 32 offshore wind turbines with a capacity of 219 MW were connected to the German grid in the first half of 2020.[1] This figure corresponds to around 11 percent of the installed capacity of 2 GW that the domestic value chain implemented in 2015. According to the current status, 1,501 turbines with a total output of 7,760 MW are thus reliably supplying offshore wind power in Germany. The Federal Government's expansion target for 2020 has already been achieved in the first half of the year.

"Not least because of the long planning time of offshore wind farms, we have long warned that an expansion gap is imminent. We are now in the middle of it. The challenge now is to keep this expansion gap as small as possible and to strengthen the domestic market for offshore wind energy sustainably and permanently. In addition to anchoring the long-term goals in law, this also includes putting the available areas out to tender as quickly as possible and choosing an economically efficient remuneration system for future offshore wind projects," the industry organisations explain. The basis for this should be created quickly after the summer break and in dialogue with the industry.

[1] For one of the offshore wind turbines, the Market Master Data Register (MaStR) deviates from the commissioning date of 1 July 2020.

Contracts for difference are economically efficient
Like the Federal Council, the industry is in favour of seriously examining the introduction of contracts for difference and discussing it with all relevant stakeholders. This model already exists in other European countries - for example in the UK, France, Italy and Denmark. It would therefore also simplify cross-border tenders.

On the other hand, the second bidding component planned for the amendment to the Offshore Wind Law (WindSeeG) would increase investment costs and thus also electricity generation costs, according to the industry representatives. However, internationally competitive electricity prices are of great importance for the economic reconstruction after the Corona crisis. Otherwise, there is a risk of further loss of important jobs and carbon leakage due to the move of German companies abroad.

In contrast to the second bid component, contracts for difference could secure the realisation of offshore wind projects and thus contribute to the achievement of national and European CO2 reduction targets. "It must be examined whether it is possible to combine them with power purchase agreements (PPAs) or other forms of marketing and thus pass on the green characteristics. Differentiation agreements of this kind ensure a more cost-efficient expansion of offshore wind energy, prevent overfunding in connection with competitive tenders and guarantee low and stable electricity costs in the long term," the industry organisations argue. Experts from the German Institute for Economic Research assume that the electricity production costs can be reduced by about 30 percent compared to the current proposals of the German Federal Ministry of Economics and Technology (BMWi).

Offshore wind energy excellently suited to produce green hydrogen
The associations welcome the ramp-up in the domestic market as laid down in the National Hydrogen Strategy (NWS) and underline that offshore wind energy has a key role to play in this. "With its high full-load hours, offshore wind energy is excellently suited for the production of green hydrogen," the industry organisations explain. Since direct electrification is not technically or economically feasible in all sectors, synthetic energy sources based on renewable energies are an indispensable element in achieving climate targets.

"The NWS opens up the opportunity to use about 3 GW of offshore wind energy to produce green hydrogen. For this purpose, additional areas must be pre-investigated and put out to tender as quickly as possible", the industry representatives say. In the preliminary draft of the area development plan, the Federal Maritime and Hydrographic Agency (BSH) has named the first two sites for Power-to-X in the North Sea and Baltic Sea. The award procedure for these areas should begin in 2021. Here, too, an incentive system with efficient levy and redistribution mechanisms must be developed to bring about a rapid market ramp-up for green hydrogen in Germany.

Creating conditions for cross-border offshore projects
The programme of the German EU Council Presidency also recognises offshore wind energy as an important pillar of the "Green Recovery" and energy transition. Since Germany has also held the Presidency of the North Sea Cooperation since the beginning of the year, the coming six months will provide a good basis for laying the foundations for cross-border offshore wind projects.

"The international interconnection of offshore wind farms is a strategic task that is becoming increasingly important. In our view, the initiative for maritime spatial planning is a decisive

first step in this respect," the industry organisations explain. What is needed now is a rapid identification of areas suitable for cross-border projects to clarify the investment framework on this basis.

Offshore wind energy will make a significant contribution to the "Green Recovery"

"In the North and Baltic Seas, the potential is not yet exhausted. This includes available areas and free grid capacities of 1,860 MW, which could be allocated at short notice. If the right course is set now, these will not only make a significant contribution to the sustainable economic recovery after the Corona crisis, but will also contribute greatly to achieving the climate targets and security of supply during the energy transition," the industry associations announced.

About the annual figures "Status of offshore wind energy expansion in Germany"

In the analysis of Deutsche WindGuard, the development figures for offshore wind energy have been collected separately from those for onshore wind energy since 2012. The clients are the Bundesverband Wind-Energie (BWE), the Bundesverband der Windparkbetreiber Offshore e.V., the Stiftung Offshore-Windenergie, VDMA Power Systems and WAB e.V.

About Bundesverband Windenergie e.V.

BWE, a member of Bundesverband Erneuerbare Energie [German Renewable Energy Federation (BEE)] with more than 20,000 members, represents the entire industry. Members of BWE include the mechanical engineering industry's suppliers and manufacturers; project developers; specialist jurists; the financial sector; companies from the fields of logistics, construction, service/maintenance and storage technology; electricity traders; network operators; and energy suppliers. As a result, BWE is the primary contact for politics and business, science and the media.

About Bundesverband der Windparkbetreiber Offshore e.V.

The association of German offshore wind farm operators (BWO) represents all companies that plan, construct and operate offshore wind farms in Germany. The BWO is the central contact for representatives from politics and authorities at federal level on all questions concerning offshore wind energy.

About Stiftung OFFSHORE-WINDENERGIE (German OFFSHORE WIND ENERGY Foundation)

The aim of the foundation is to consolidate the role of offshore wind energy in Germany and Europe and to promote its expansion in the interest of environmental and climate protection. It has established itself as a nonpartisan, multiregional and independent organisation for the entire offshore wind energy sector and acts as a communication platform for actors from politics, industry and research. The Foundation serves as a platform to share their expertise and as an initiator of new ideas.

About VDMA Power Systems

VDMA Power Systems is a division of the non-profit German Engineering Federation (VDMA). The association represents the interests of manufacturers of wind turbines and hydroelectric plants, fuel cells, gas/steam turbines and plants and engine systems at home and abroad. VDMA Power Systems serves them all as an information and communication platform for all industry issues, such as energy policy, energy policy, legislation, market analyses, trade fairs, standardisation, and press and public relations.

About WAB

Bremerhaven-based WAB is the nationwide contact partner for the offshore wind industry in Germany and the leading business network for onshore wind energy in the north-west region. The association fosters the production of "green" hydrogen from wind energy. It comprises some 250 smaller and larger businesses as well as institutes from all sectors of the wind industry, the maritime industry as well as research.

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