

10 KEY TRENDS IN THE WIND INDUSTRY IN THE NETHERLANDS FOR 2023

The wind industry in the Netherlands is expected to see a number of significant trends in 2023, driven by changes in technology, economics, and policy. The government is backing the development of wind energy, with a target to produce 70% of the country's total energy production from renewable sources by 2030. Technological advancements and improved grid integration are also driving growth in the sector. Stay ahead by staying informed on the latest industry trends and developments in the Netherlands' wind energy sector. In this briefing, we have identified 10 trends and developments and what they could mean for the wind industry in the coming year. These trends will play a role in shaping the future of the wind industry in the Netherlands and understanding their impact is essential for industry stakeholders.

Key issues

- Ambitious offshore wind targets
- Subsidy of wind energy projects (SDE)
- Increased Focus on Sustainability
- Cost Inflation
- Windfall tax
- Development in energy storage
- Porthos ruling
- Emergence of New Investors
- Growth of Green Bonds
- Corporate PPAs
- Conclusion

1. AMBITIOUS OFFSHORE WIND TARGETS

The Dutch government has set ambitious targets for the use of offshore wind energy as part of its transition to renewable energy sources. It is currently developing an outlook for offshore wind, identifying new offshore wind areas and exploring opportunities for offshore hydrogen production and energy hubs. Recently the Dutch government announced its plans to increase offshore wind capacity to 50 GW by 2040 and 70 GW by 2050. This goes above and beyond the current target of achieving 21 GW by 2030. The government plans to achieve these targets through a combination of public tenders for new offshore wind farms and measures to streamline the permitting process for these projects. This creates economic prospects as a large domestic market gives the Dutch offshore and wind sector the chance to further develop its expertise and thereby strengthen its international position. Already, Dutch companies lead in offshore wind energy and have a market share of approximately 25% of the total European market for offshore wind.

2. SUBSIDY OF WIND ENERGY PROJECTS (SDE)

The Netherlands has been making strides in promoting the use of renewable energy sources. One aspect of this effort has been the removal of the subsidy cap for renewable electricity in December last year. Prior to the removal of the cap, there was a limit to the total subsidy amount that could be granted to renewable energy projects. This policy change allows for more subsidies to flow into wind projects. Efforts are underway to improve the subsidy system and grant wind projects extra realisation time. The Dutch government has recently approved a motion that intends to grant renewable energy projects an additional 1–2 years to realise the project, without reducing the overall SDE++ period. This gives projects more time to secure financing and ensure a viable business case, as well as addressing the issues with delays that wind energy projects are currently facing.

3. INCREASED FOCUS ON SUSTAINABILITY

There is a growing focus on sustainability among investors as a means of achieving sustainable growth and to align their investments with their environmental, social and governance (ESG) goals. This can provide investment opportunities in the industry and support the growth of companies operating in this sector. Also, the Dutch government is encouraging the use of sustainable materials and processes in the construction and maintenance of wind turbines, such as recycled steel and concrete, to reduce the environmental impact of the industry. The Dutch wind power sector is also considering the environmental impact of wind turbines, including their impact on wildlife, noise levels, and visual appearance. This has led to the development of guidelines and standards to minimize the impact of wind turbines on the environment (the Environmental Impact Assessments).

4. COST INFLATION

The wind industry faced rising costs in 2022 of energy and raw materials prices due to inflation and the effects of the Ukraine war. Several developers are seeking to balance rising costs with power offtake commitments. Inflation remains a concern in 2023, with factors such higher transportation costs, increased raw material costs, and regulatory requirements contributing to the challenge. As a result, securing funding can become more challenging and it reduces the profitability of projects, making them less attractive to investors and increasing the risk of delays or project failure. The expectation is that inflation in Europe will ease mid-2023, with policymakers planning to expand the renewables sector further. However, challenges are expected to persist into 2023.

5. WINDFALL TAX

On 7 October 2022 the Council of the European Union adopted a Regulation introducing temporary wind fall taxes for renewable energy producers. The excess revenues of the inframarginal producers will have to be channelled by the Member States to electricity consumers, be it private or commercial ones, who are exposed to high prices. On 3 November 2022 the Dutch Minister for Climate and Energy introduced the plans for implementation of the Regulation in the Netherlands and on 27 January 2023 the consultation legislation was published. The cap will be set at EUR 130/MWh, calculated on the basis of monthly average prices. Above this ceiling, 90% of the market income must be remitted. Neighbouring countries such as Germany and Belgium are also

expected to apply a cap of EUR 130 per MWh. The bill is expected to enter into force on 1 July 2023 but the cap will apply with retroactive effect for the period 1 December 2022 to 30 June 2023. The Regulation contains the option to extend the applicable period, the deadline for such a decision is 30 April 2023. Developments should be monitored as higher costs, supply chain issues, and lack of long-term price signals could discourage investment decisions and reduce returns.

6. DEVELOPMENT IN ENERGY STORAGE

For the transition to fully green energy, not only the generation of green energy is important but also its storage. Energy storage is important for preventing energy waste during low demand and grid collapses during high demand, as it balances energy generation and demand. In 2023, there will be an increase in European energy storage projects. Wind turbine operators will see co-locating batteries as a profitable option, as it can smooth out wind power fluctuations and increase revenue. The energy storage market in the EU is expected to grow at a 4.2% CAGR from 2022-2025. Europe is a hub for energy storage tech, with options for both grid and individual building storage. Although not yet a leader in battery storage, Europe's journey towards battery energy technology dominance is underway. The new Dutch Energy Act (*Energiewet*) adjusts the regulations on energy storage to align with the EU Electricity Directive and Regulation, making it more attractive for developers and investors. A potential benefit is that, by increasing the availability of energy storage systems, the Netherlands could improve its energy resilience and reduce its dependence on traditional sources of energy, such as fossil fuels. This could lead to a more sustainable and reliable energy system in The Netherlands.

7. PORTHOS RULING

In an interim judgement in the Porthos-case rendered on 2 November 2022, the Council of State drew a line under the so-called construction exemption pertaining to allowed nitrogen emissions. As a result of the Porthos Verdict, project owners/developers are at risk of being affected by this judgment, as for each project (insofar not already done) it should be assessed whether the envisaged project will lead to a negative impact on Natura-2000 areas rather than to rely on the construction exemption. The permitting process for these projects may delay the project timelines which can affect the revenue projections.

8. EMERGENCE OF NEW INVESTORS

In 2023, new investors will emerge in the wind project financing space, including an increase in pension funds, insurance companies, and family offices. These investors will bring fresh capital and new perspectives, which will help to drive the growth of the wind energy sector.

9. GROWTH OF GREEN BONDS

Green bonds, which are bonds issued to finance environmental projects, will continue to grow in popularity as investors seek investment opportunities that align with their sustainability goals. This trend will provide a valuable source of financing for wind projects in the Netherlands, particularly for those seeking to raise capital for new projects or refinance existing projects.

10. CORPORATE PPAS

These are becoming an increasingly popular tool for companies to support the transition to green energy. In a corporate PPA, a company agrees to purchase renewable energy directly from a renewable energy developer, typically at a fixed price over a long-term period. This helps finance the development of new renewable energy projects and increases the demand for renewable energy. Corporate PPAs can also help companies achieve their sustainability and carbon reduction goals, while providing stability and predictability to their energy costs. Additionally, they can help drive the growth of renewable energy markets and contribute to a more sustainable energy mix.

CONCLUSION

The wind energy sector in The Netherlands is poised for continued growth in 2023, driven by a growing focus on increasing efficiency, expanding offshore capacities and implementing sustainable practices. As new investors enter the market and demand for green financing grows, wind project developers must be well prepared with a comprehensive financing strategy in order to successfully navigate the changing landscape of wind project financing. Our law firm is well positioned to assist clients in this regard, leveraging our expertise and experience in the wind energy sector to help them achieve their financing goals and advise on risk management strategies. Our team provides commercially focused legal advice and practical solutions and can support you in every step of your transaction. We have dedicated teams with in-depth experience in finance, real estate, regulatory, M&A, financial regulation and tax. Furthermore, our global experts are well-used to operating as a single team, maximising efficiency for the client.

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