

Princess Elisabeth Zone

Certain preliminary considerations relating to investments in the tender for the first offshore wind concession launched on 25 November 2024

Following a first analysis of the tender guideline documents published on 25 November 2024, we list certain early pointers which provide a steer for interested stakeholders about to enter the competitive process. The initial 700 MW PEZ 1 lot is the first of three concessions to be tendered in the coming years, with the latter two being considerably larger in expected capacity. Tailormade tendering regulations drawn up for these concessions can be found in the [Royal Decree](#) of 3 June 2024.

1. Revenue Security

- **CfDs:** Two-sided contracts for difference are available with as maximum strike price EUR 95/MWh, covering a 20-year period and capped at 80,000 full load hours.
- **PPAs:** Long tenor fixed price PPAs can be privately negotiated early in the project, while alternatively a competitive placement regime can be organised under supervision by federal energy regulator CREG. In both cases government repayments start at strike price + EUR 3, allowing funders a certain degree of security.
- **Modular Offshore Grid impact (Princess Elisabeth Island):** The tendering authority has anticipated potential challenges in onshoring produced electricity in case of delays in completion of the Modular Offshore Grid's ongoing construction. To that end, a [Royal Decree](#) has been published setting out a tailored regime to compensate successful bidder(s) for ensuing liabilities, both in case of delays and of unavailability.

2. Financing

- **Debt:** Commitment letters required at submission. Balance sheet financing requires proof of financial capacity. EIB could potentially finance up to 50% of external debt in all three concessions. Mandatory decommissioning provision build-up likely to exceed EUR 100 million.
- **Equity:** Fully committed equity financing required at submission. To be eligible, consortium needs (i) a minimum of EUR 75 million in owns assets earmarked for PEZ I at the end of the financial year preceding the year in which the application is submitted and (ii) a EUR 70 million performance bond ensuring project realization. Citizen participation contributions are excluded from calculating these thresholds.
- **Citizen participation:** Minimum 1% of investment costs (capex) with additional scoring of bid up to 4% participation. Direct and/or indirect participation rights provide citizens (incl. SMEs) with equity and/or financial stakes in the project, respectively. Structuring options include individual shareholdings in the operational company, participation through citizen initiatives active in the field of renewable energy or through partnerships of such initiatives. With the anticipated heavy 10% weighting for this financial award criterium sponsors should scrutinize the scoring guide. Concise communication plans compliant with all listed conditions are to be prepared in both French and Dutch to increase potential buy-in. Individual participations not to exceed EUR 25,000, while sponsors can decide to apply a floor of maximum EUR 1,000.

3. FSR concerns

Heightened attention to non-EU subsidies implications required, both at consortium members' and subcontractors' level. Given the size and anticipated funding requirements for all three PEZ concessions investors will have an increased focus on legal treatment clarity to ensure solidity of their bid setup. An element of uncertainty is currently at play given the untested impact of these newly applicable regulations on similarly sized project in Belgium, in particular in relation to subcontractor involvement. For broader context, we refer to our firm's various [publications](#) on this topic.

KEY CONTACTS



[Johan Mouraux, Partner](#)
+32 497 46 40 81
jmouraux@vbb.com



[Cedric Hauben, Sr. Associate](#)
+32 472 92 80 05
chauben@vbb.com



[Jorren Garrez, Sr. Associate](#)
+32 479 69 16 10
jgarrez@vbb.com



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