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Improving access to finance for the Dutch offshore wind supply chain

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Commissioned by Invest-NL & TKI Offshore Energy



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Scaling up and innovation are crucial

Research Goals and Objectives

The research focuses on the relationship between the offshore wind supply chain in the Netherlands, and the financing landscape for innovation and increased production capacity. By 'innovation', we mean those innovations that improve components or processes (e.g. increasing production of monopiles or reducing installation time with new innovative technologies).

The primary goal is to identify and understand the financing bottlenecks and propose strategic directions to improve the sector's access to finance. These directions for solutions can relate to both the financing landscape and the offshore wind ecosystem, and aim to boost innovation in order to scale up the Dutch offshore wind supply chain.

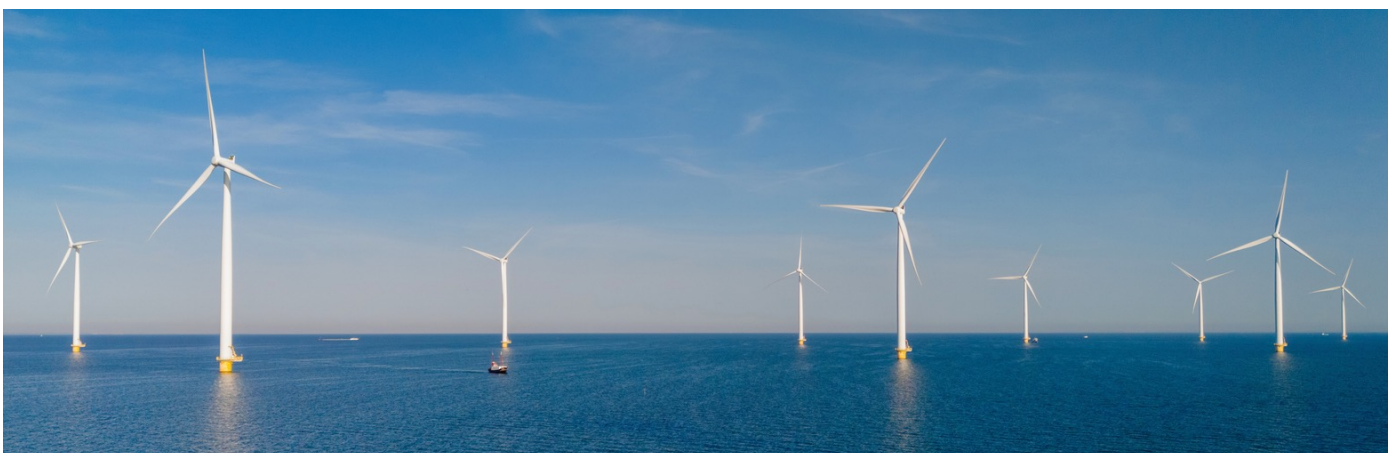
Methodology

Under the assignment of Invest-NL and TKI Offshore Energy, JBR conducted a desk research analysis on the investor landscape and transactions in the Dutch offshore wind sector. This was supplemented with an analysis of the relevant investor landscape, interviews and an online questionnaire. Twenty interviews were conducted and fifty respondents completed the questionnaire, with engaged companies and knowledge institutes active in the offshore wind supply chain and financing landscape. TKI Offshore Energy and Invest-NL provided data for specific parts of the study.

Research background

Innovations and ramping up production capacity require significant investments. Companies face various financing bottlenecks depending on the phase of the company and specific ticket sizes. The industry faces:

- **Ambitious Targets:** With only five years left until 2030, the target to build another 87 GW of offshore wind in the North Sea is ambitious. The goal for 2050 is even more ambitious (at least 300 GW). The Dutch offshore supply chain ranks among the top 5 globally and plays an essential role throughout the entire lifecycle of an offshore wind farm, both in the Netherlands as abroad (within the North Sea and even beyond)
- **Capacity Gaps:** If the companies in the supply chain are unable to scale up and innovate, the sector runs the risk of having insufficient capacity to meet the targets. Exporting production capacity further exemplifies this risk, as this is a very internationally orientated sector



Issues within the supply chain have been identified

Findings

The findings highlight several key issues that hamper scaling up and innovations in the Dutch offshore wind supply chain:

- 1. Financing Bottlenecks:** The business cases of Dutch offshore wind suppliers are under pressure due to the specific risk-reward profile. Innovations require high CAPEX and long time to market (>5-7 years), while rewards remain uncertain. Industry structures, including price-driven tenders, volatile electricity prices, weak PPA appetite, and power imbalance, pose challenges for suppliers. While the Netherlands has good factor conditions, grid congestion, nitrogen regulation, and a shortage of technical personnel hinder growth. Furthermore, it is difficult for innovative players to create proof points needed to attract financiers and customers
- 2. Investor Landscape:** Investors generally have a low appetite to finance companies active in the offshore wind sector due to expected rates of return and associated risks, and other 'Climate Tech' innovations with a better fit. In addition, the financing landscape in offshore wind is not aligned with the specific financing demands of companies active in this sector due to several reasons: there is a lack of large ticket sizes and funds targeted at long-term investments, investors lack sufficient sector knowledge, and strategic investors have incentives that do not align with maximizing the growth of their investees

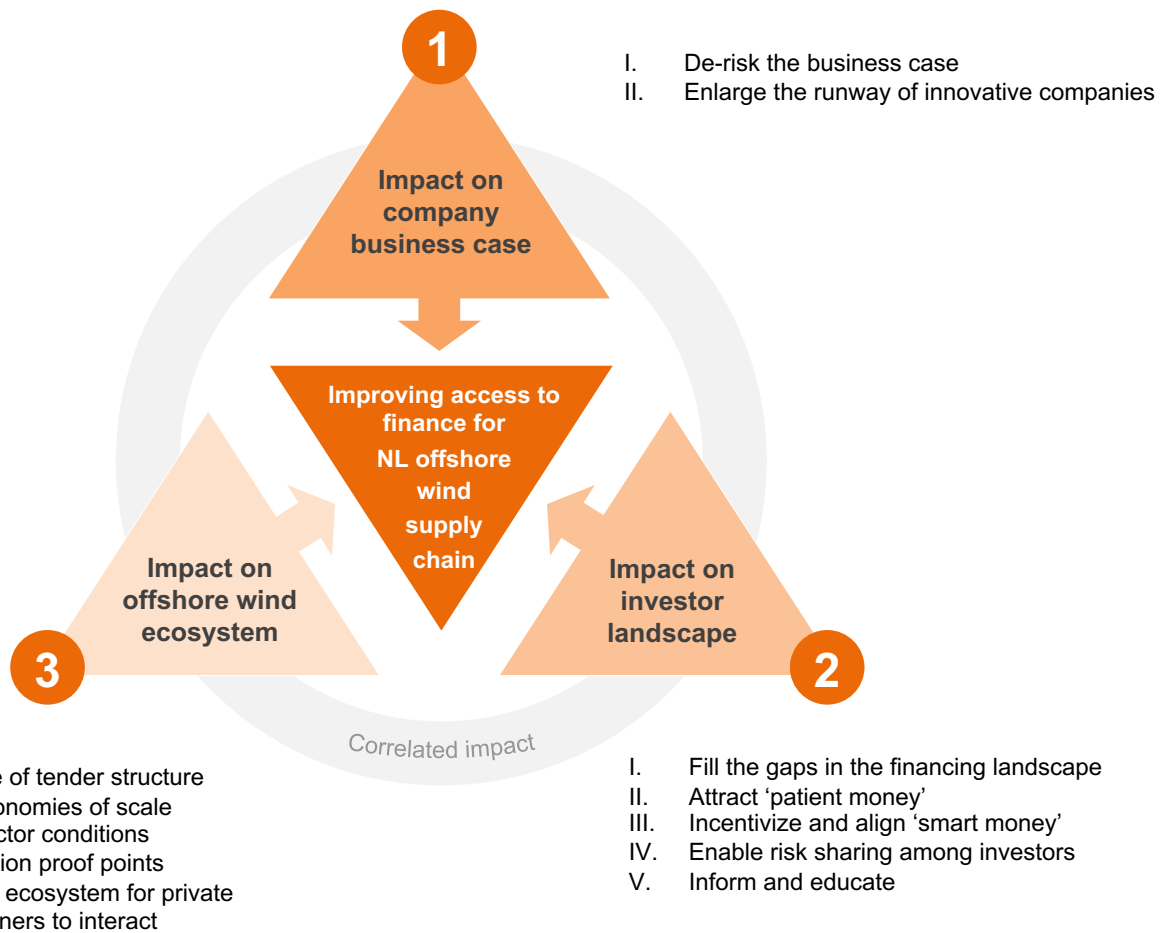
So, even though the Dutch offshore supply chain ranks among the top 5 globally, the offshore wind targets are at risk. Detailed analysis shows a mismatch between financing supply and demand, which hinders innovations and capacity expansion required to scale up the supply chain significantly.



Simultaneous actions are required

Recommendations

Coordinated and simultaneous actions are required to address the mismatch between financing supply and demand. The directions for solutions are structured along the following dimensions: (1) company business case, (2) investor landscape, (3) offshore wind ecosystem:



Simultaneous actions explained

1. Company business case

- I. **De-risk the Business Case:** Introduce guarantees to improve the risk profile and access to finance, create improved long-term certainty on electricity demand and prices, and promote industry standardization to make upscaling less costly and risky
- II. **Enlarge the Runway of Innovative Companies:** Introduce public guarantees, blended finance instruments within winning tenders, and stimulate green finance instruments to help enlarge the runway for startups and scale-ups

2. Investor landscape

- I. **Fill the Gaps in the Investor Landscape:** Stimulate more cooperation, co-investment, and pooling of investments between various investors
- II. **Attract ‘Patient Money’:** Infrastructure and long-term investors can be attracted to increase available financing substantially. Asset investments in this sector have an economic lifetime that exceeds 15 years and provide potential stable incomes using (long-term) offtake agreements. This fits well with their investment criteria
- III. **Incentivize and Align ‘Smart Money’:** Increase the presence of e.g. angel and strategic investors in the sector by providing specific tax exemptions or reductions (focus not only on reducing their cost, but also on mitigating their riskiness)
- IV. **Enable risk sharing among investors:** Stimulate local and international cooperation and risk pooling between investors by setting up a blended finance structure (and layered fund) to enable the industry to increase its capacity
- V. **Inform and educate investors:** Encourage the use of the investor readiness programs (to increase the conversion rates and compress timelines). Encourage trade organizations and knowledge institutes to inform investors on industry-specific risks and opportunities and share knowledge with other investors and funds

3. Offshore wind ecosystem

- I. **Broaden the scope of tender structure:** The tender structure should further broaden its scope beyond efficiency and lowest pricing. This could potentially be achieved by rewarding the (long term) contributions to the supply chain (e.g. employment, capacity increase and innovation)
- II. **Allow more economies of scale:** To allow the potential ‘International Champions’ to reach the much-needed scale it is important to some degree further harmonize tender requirements within Europe, for instance establish a timeline for innovation within harmonized European tender requirements
- III. **Improve the Dutch factor conditions:** To increase the sector’s international competitiveness, it is important to improve the local Dutch factor conditions (e.g. electrification, permit process, availability technical personnel, etc.) and provide a stable investment climate
- IV. **Alter the scope of the DEI and MOOI subsidies** in line with the former HER+ subsidy. This could better enable companies to create the much-needed proof points, which could be further supported by an offshore ‘proof point facility’ where innovative companies can demonstrate technology at scale
- V. **Strengthen Ecosystem for Private and Public Partners to Interact:** Further promote and improve participation and cooperation of startups and scale-ups within research consortia (e.g. GROW)

Next steps to create traction and build momentum

Possible Next Steps

1. **Align with Policy Makers:** Continuously coordinate the suggested directions for solutions with policy makers and look for ways to support the Dutch offshore wind sector, such as:
 - a. Setting up a coordinated program to address the issues and further work out the directions for solutions (e.g. taskforce, or national coordinator). The scope of this program is to work on all three dimensions simultaneously and supervise progress
 - b. Organizing one or more round tables with companies in the sector, entrepreneurs, financiers, and relevant government officials
2. **Create Action Plan:** Address the 'low-hanging fruit' and execute a feasibility study on the directions for solutions that have the highest potential impact. Based on the interviews, deep dives and existing contacts of Invest-NL and TKI Offshore Energy, JBR has made a list of possible low-hanging fruit which has been drawn up for further discussions as potential follow-up of this study
3. **Stimulate European Cooperation:** Stimulate cooperation with EIB, Invest International, local Regional Development Agencies (ROMs), etc.

Conduct Follow-up Studies: Several potential follow-up studies have been identified, including a comparison of the investment landscape with Climate Tech and/or other sectors, and an analysis of possible financial instruments that can increase innovation.

To read the full report or know more? Feel free to contact:

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