OCEAN WINDS

Overview of Indexation Mechanisms

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Image Credit: Chris New

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Agenda

1. Overview of Issue
2. Benchmarks
3. Proposed Solution: Revenue indexation mechanisms
4. OW East Proposal
5. Discussion

Overview of inflation risk factor

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- Inflation has always been important issue facing the OSW industry, and **developers have traditionally priced in higher risk premiums** in those geographies where the revenue mechanism does not provide an effective hedge for inflation.
- As a result, many European countries have provided **indexation mechanisms** for revenues to provide effective inflation hedges for Capex and Opex and reduce priced-in risk premiums.
- **Given current extreme uncertainty on the inflation outlook**, OW East expects large premiums in proposals that do not include hedging mechanisms to cover inflation, rendering these proposals uncompetitive.

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Benchmarks: Revenue indexation mechanisms have long been considered in the offshore wind industry to address the inflation risk for developers

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[redacted]

Proposed solution for NJ is the implementation of an indexation mechanism similar to that in France

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[redacted]

France can be used as a benchmark for tariff indexation

It is OW’s preferred indexation option since it can effectively hedge Capex and Opex indexation movements

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The French model could be adjusted to the specifics of the US market

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[redacted]